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THE WHITE HOUSE
WASHINGTON

FOR THE RECORD:

REORGANIZATION MEMOS OUT FEB. 5, 1979.

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ADMINISTRATIVELY CONFIDENTIAL

ATTACHED ARE COPIES OF ALL COMMENTS RECEIVED
BY OMB ON THE FOLLOWING THREE (3) PIECES OF
CORRESPONDENCE:

MEMO OF JANUARY 11, 1979 FROM
JAMES T. McINTYRE, JR. RE ADDITIONAL
REORGANIZATION OPTION RE DEVELOPMENT
ASSISTANCE/ASSISTANCE TO BUSINESS

MEMO OF JANUARY 5, 1979 FROM
JAMES T. McINTYRE, JR. RE DRAFT
DECISION MEMORANDUM SENT TO THE
CABINET FOR COMMENTS

MEMO OF DECEMBER 27, 1978 FROM
JAMES T. McINTYRE, JR. RE INFORMATION
MEMO ON REORGANIZATION SENT TO THE
CABINET FOR COMMENTS

COMMENTS ON EACH OF THESE MATERIALS FOLLOW IN
THE ABOVE ORDER BEHIND A SEPARATE TAB FOR EACH
DEPARTMENT OR AGENCY. PAGES HAVE BEEN INSERTED
TO INDICATE THOSE COMMENTS WHICH WERE RECEIVED
ORALLY, OR TO INDICATE THOSE COMMENTS WHICH
WERE NOT RECEIVED AT ALL ON ANY OF THE THREE
MATERIALS SENT OUT.

ADMINISTRATIVELY CONFIDENTIAL



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JAN 11 1979

MEMORANDUM FOR THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF DEFENSE
THE SECRETARY OF ENERGY
THE SECRETARY OF THE ARMY
THE SECRETARY OF HEALTH, EDUCATION
AND WELFARE
THE SECRETARY OF HOUSING AND URBAN
DEVELOPMENT
THE SECRETARY OF INTERIOR
THE ATTORNEY GENERAL
THE SECRETARY OF LABOR
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF TRANSPORTATION
THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
THE ADMINISTRATOR OF VETERANS AFFAIRS
THE ADMINISTRATOR OF THE ENVIRONMENTAL
PROTECTION AGENCY
THE DIRECTOR OF THE COMMUNITY SERVICES
ADMINISTRATION
THE ADMINISTRATOR OF THE SMALL BUSINESS
ADMINISTRATION
THE CHAIRMAN OF THE WATER RESOURCES COUNCIL
THE CHAIRMAN OF THE INTERNATIONAL TRADE
COMMISSION
THE PRESIDENT OF THE EXPORT-IMPORT BANK
THE CHAIRMAN OF THE COUNCIL ON
ENVIRONMENTAL QUALITY
THE PRESIDENT OF THE OVERSEAS PRIVATE
INVESTMENT CORPORATION

FROM:

James T. McIntyre, Jr. *Jain*

SUBJECT:

Additional Reorganization Option

Would you please review and give me your comments on the attached additional reorganization option. In order that we can reflect your position in the final memorandum to the President, please forward your comments by CLOSE OF BUSINESS, FRIDAY, JANUARY 12.

Option 3. Consolidate development assistance to State and local governments in a Department of Development Assistance and consolidate assistance to business in a Department of Trade and Business Development.

This alternative would incorporate those parts of option 1 aimed at bringing together in one Department those Federal assistance programs directed to strengthening the public sector's development capacity at the State and local levels.

Under this alternative there would be also a consolidation in one Department of those Federal assistance programs that assist the private business community in export promotion and financing, business development, technology utilization and economic analysis.

This option therefore places Federal development assistance for the public sector in one Department and Federal assistance for the private sector in another Department. Thus, clear lines of authority and responsibilities would be created that can be understood by the general public, the private sector, and State and local governments.

The Department of Trade and Business Development would unite the Small Business Administration, National Development Bank, other business loan programs and the Industry and Trade Administration into a coordinated approach to business development.

The Export-Import Bank and Overseas Private Investment Corporation (OPIC)* provide financial and other assistance to American companies operating overseas. These agencies, combined with SBA, would bring together several functions important to export promotion, including the Commerce and SBA field office networks. These tools should permit the Department to weld together positive groups of export supporting activities that can foster meaningful improvement in the U.S. competitive position abroad and result in increased domestic employment and greater exports by both small and large businesses.

A particular focus of the Department of Trade and Business Development would be the growth of productivity and technology. The Department would continue to develop policies in this area, through examination of Federal policies on business taxation investment, patents, government procurement, technology extension, research and development.

* The Secretary of the Department of Trade and Business Development would replace the AID Administrator as Chair of the Board of Directors of OPIC and will provide policy guidance as one of the 3 directors of Eximbank.

This alternative would build on the existing Departments of Housing and Urban Development and Commerce. These agencies would be reorganized, realigned and their programs supplemented to bring about strengthened capacities to assist the public and private sectors in meeting the nation's development challenges.

° Organizational Changes

The Department of Development Assistance would absorb the following Federal program responsibilities:

<u>Current Agency</u>	<u>Programs</u>
HUD	All programs
Commerce	Economic Development Administration of public works grants and loans, and planning and technical assistance (Titles I, III, IV, and IX); Title V Regional Commissions
Agriculture	FmHA Community Development Program (non-farm, non-housing)

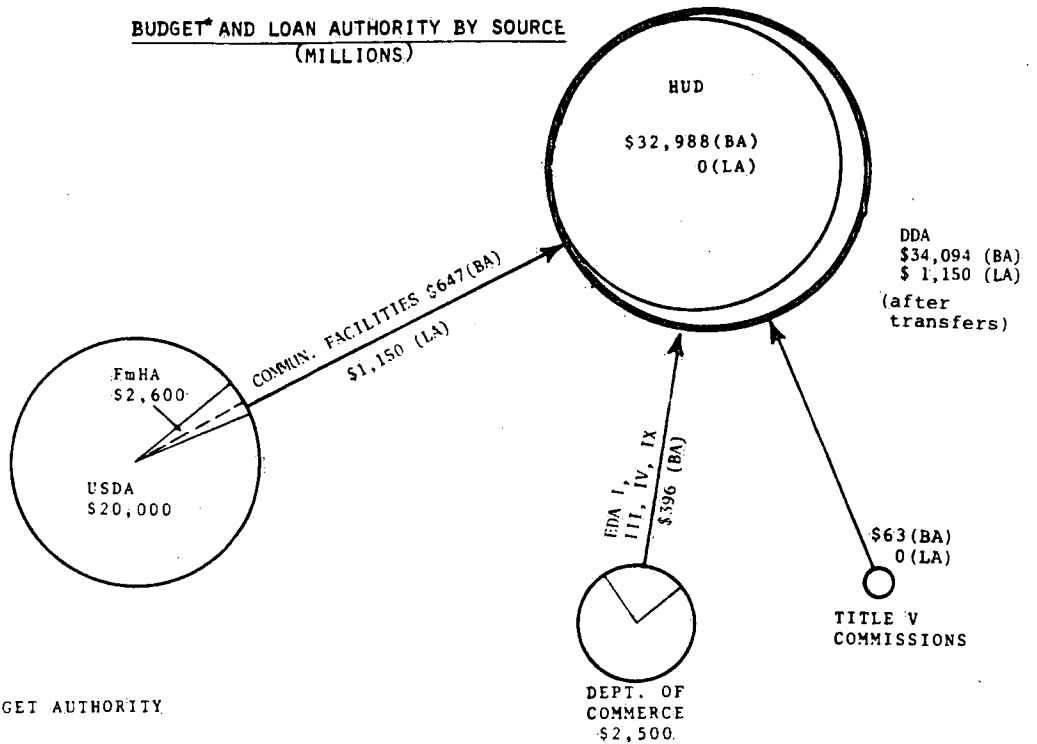
The Department of Trade and Business Development would absorb the following Federal program responsibilities:

<u>Current Agency</u>	<u>Programs</u>
Commerce	All programs, except for those portions of the EDA program and the Title V Commissions which -- as noted above -- would go to the new Department of Development Assistance.
Small Business Administration	All programs
National Development Bank	All grants and loans to private sector
Farmers Home Administration	Business and Industrial loan program
Export-Import Bank	All activities
Overseas Private Investment Corporation	All activities
CSA	Community Development corporations

Exhibits VIII and IX depict the transfer of resources and personnel associated with this option.

EXHIBIT VIII

DEPARTMENT OF DEVELOPMENT ASSISTANCE BUDGET AND EMPLOYMENT BUDGET* AND LOAN AUTHORITY BY SOURCE (MILLIONS)



PERMANENT POSITIONS BY SOURCE

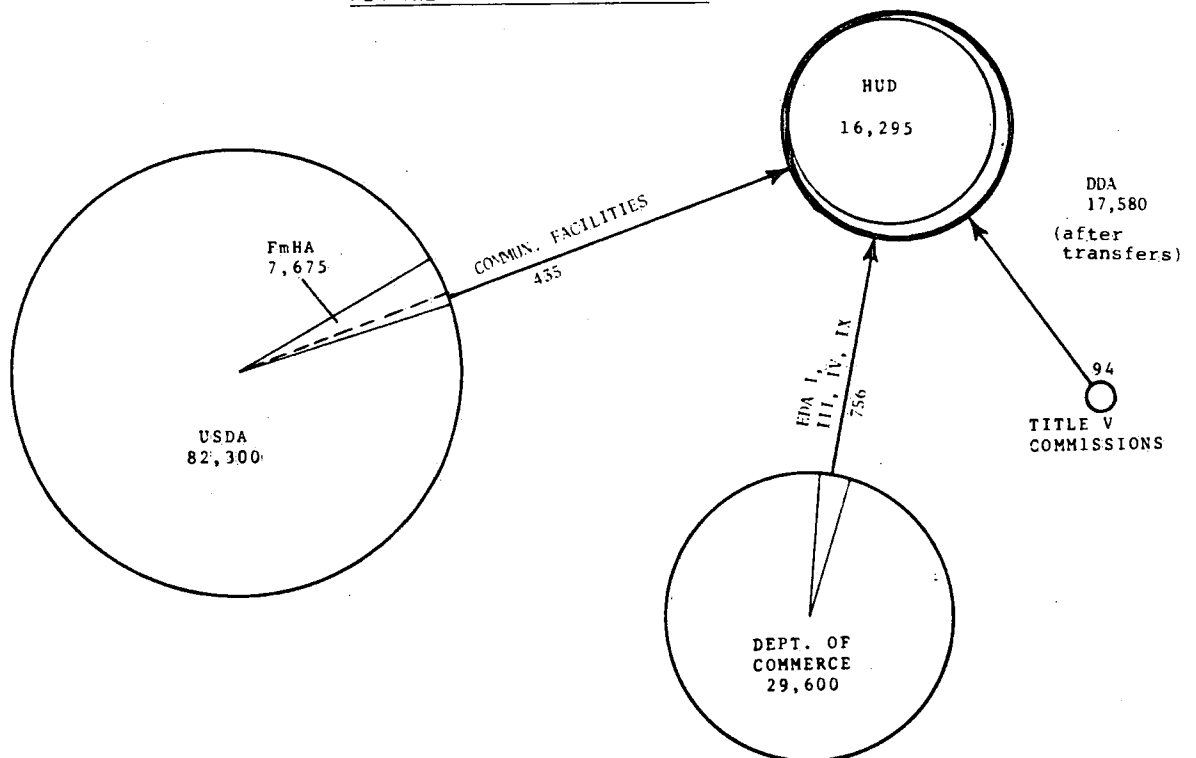
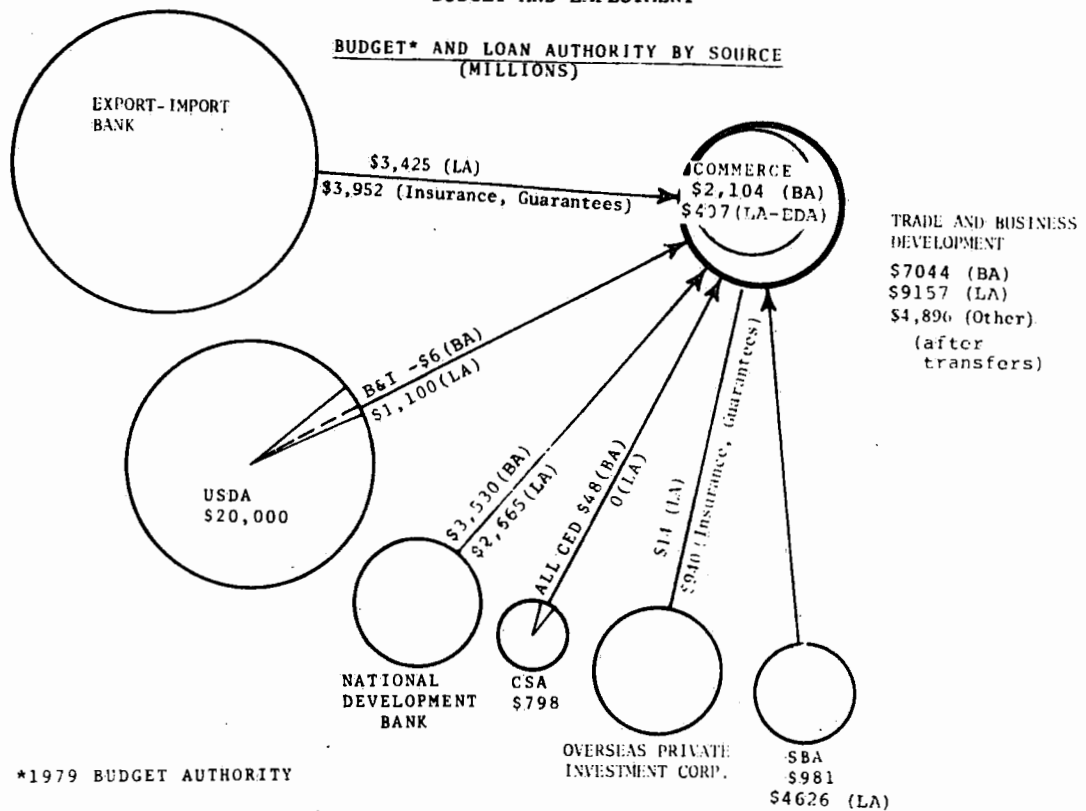


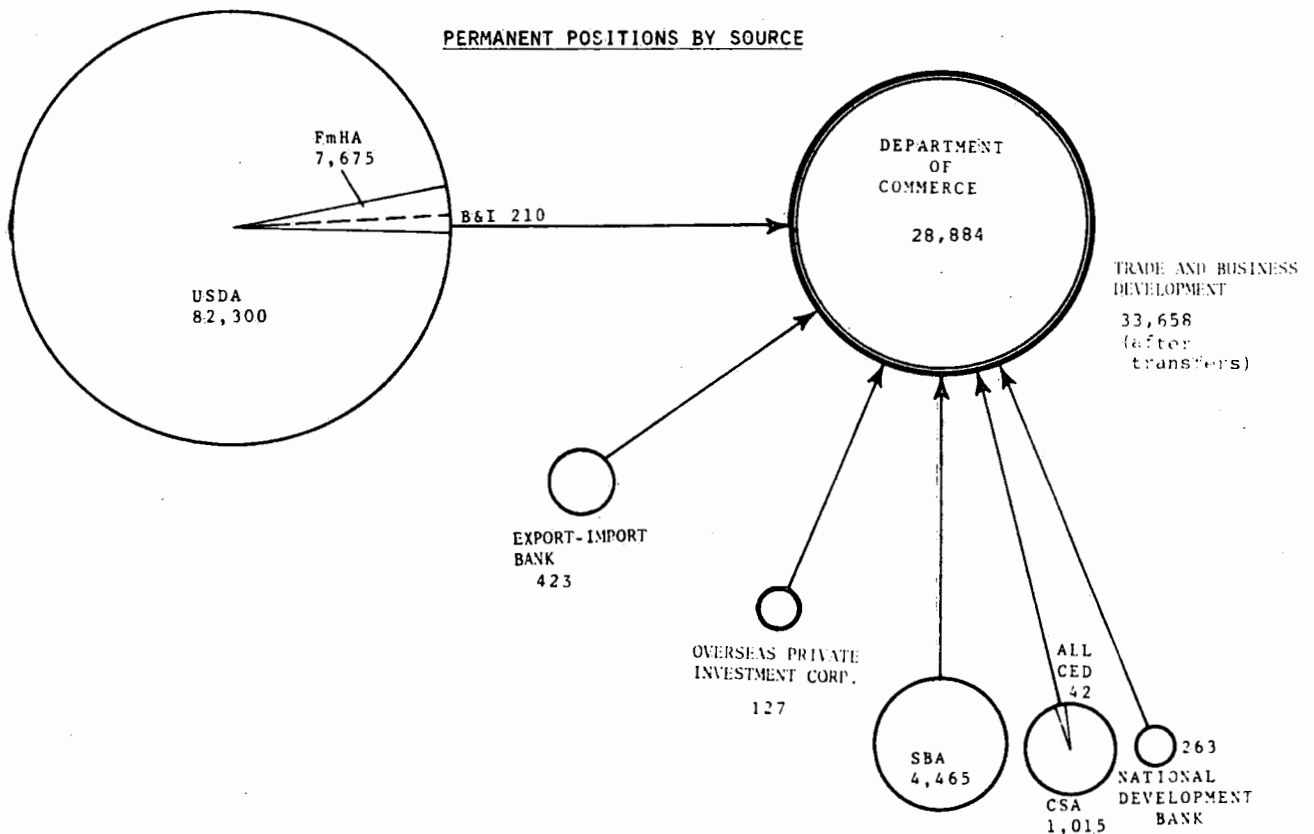
EXHIBIT IX

DEPARTMENT OF TRADE AND BUSINESS DEVELOPMENT BUDGET AND EMPLOYMENT

BUDGET* AND LOAN AUTHORITY BY SOURCE (MILLIONS)



PERMANENT POSITIONS BY SOURCE



This option would permit the consolidation of public development programs for planning assistance, economic development public sector assistance and community development facilities and activities in the Department of Development Assistance. Economic

Development Business loans would be consolidated in the Department of Trade and Business Development.

Including all business development programs in a strengthened Department of Trade and Business Development would insure a more coordinated and integrated approach toward the private sector -- on both a sectoral and place specific basis.

This obviates the argument some advance that business assistance could be subordinated to housing and community development in a Department built around HUD.

Placing business development assistance and public development assistance in different departments might increase business confidence in working with a Federal Government agency focused on solving basic business economic problems.

Placing the proposed National Development Bank in a Department with an orientation toward the private sector should ensure coordinated management of Federal loan funds, and more emphasis on business assistance.

Placing the SBA in this new department will ensure that small business has an effective advocate and a vital role in solving our trade and other economic problems. For the first time, small business concerns would be articulated in Federal economic policymaking.

The new Department of Trade and Business Development would also bring together major Federal programs designed to provide specialized management, technical, and procurement assistance to minority businesses.

Consolidating export financing and business development functions would permit the implementation of a coordinated policy. Growing recognition of the interdependence of our domestic and international economic problems creates a real need for a more integrated and better focused economic analysis and policy development capability aimed at improving the ability of business to adjust to changing economic circumstances. This would be a significant first step in that direction.

Equipping a single Cabinet Department with a critical core of development tools and programs to assist multi-State,

State and local units of governments will upgrade development as a focus of Federal policy and improve development partnerships with State and local governments. By clarifying authorities and responsibilities for Federal development assistance, this option would make Federal development efforts more understandable and accountable.

Locating urban and rural development programs in a single department will reduce gaps and inequities and permit the establishment of coherent balanced Federal development policy while preserving the possibility of variations in urban and rural development programming.

By providing State and local governments with one stop for development assistance and one stop for business loans, this option will improve program coordination and will permit significant program consolidation. It will also improve Federal responsiveness to local strategies.

This alternative would simplify the Federal planning assistance programs and more closely tie them to development funding decisions.

Federal-level consolidation will help reduce fragmentation at State and local levels.

This structural change will permit program reforms to create consolidated development grant programs, simplified planning programs and a streamlined rural community facilities program comparable to the existing urban program.

This proposal permits better use of program monies and will reduce administrative costs at Federal, State and local levels and make better use of scarce Federal and local technical staffs. Total Federal savings from all sources (administrative, program consolidation, and changes in program policies and administration) will be approximately \$40 million annually.

This option will strengthen the analytical foundation for subnational development decisions and create the capacity to anticipate development problems and opportunities.

This option will facilitate the use of housing programs as an integral part of the development process in urban areas.

This option presents a clear and understandable division of authorities between programs directed at assisting development activities of the public sector and those of the private sector. This public/private allocation of authorities and responsibilities presents a rational and

coherent theme for the reorganization. This is a theme that can easily be explained to and understood by the general public, the Congress, mayors and governors and the private sector.

Disadvantages

Additional efforts would be necessary to coordinate planning activities in a new Department of Development Assistance to ensure their consistency with the private sector business investment decisions.

Some argue that the focus on distressed communities could get subordinated to general business promotion.

The purposes and uses of both public and private economic development programs are often the same. Some of the assistance provided through public entities goes to business in the form of revolving loan funds, business structures and related facilities.

Principal responsibility for implementing economic development policy would still be split between two departments -- policies and approaches could differ significantly.

Some argue that the objectives of the ED business loan programs are more closely related to ED public sector programs than to trade and general business programs.

When public facilities assistance and business assistance need to be packaged, as is often the case, it will be necessary to go to two separate departments. This can hinder public and private partnerships locally.



ADMINISTRATIVELY CONFIDENTIAL
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

January 5, 1979

MEMORANDUM FOR THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF DEFENSE
THE SECRETARY OF ENERGY
THE SECRETARY OF THE ARMY
THE SECRETARY OF HEALTH, EDUCATION AND WELFARE
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY OF INTERIOR
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THE CHAIRMAN OF THE WATER RESOURCES COUNCIL
THE CHAIRMAN OF THE INTERNATIONAL TRADE COMMISSION
THE PRESIDENT OF THE EXPORT-IMPORT BANK
THE CHAIRMAN OF THE COUNCIL ON ENVIRONMENTAL QUALITY

FROM:

James T. McIntyre, Jr. *Jim*

SUBJECT:

Attached Reorganization Draft Decision Memorandum

Attached is a draft of the reorganization draft decision memorandum. It includes summaries of the comments we received.

We would appreciate your comments on the memorandum, particularly on whether our summaries of your earlier remarks are accurate. Verbal responses are sufficient. Please get in touch with Katie Beardsley at 395-5682 if you want to respond verbally.

If we do not get further written remarks from you, we will send your earlier comments to the President as an attachment to the decision memorandum.

The final memo will be submitted on Tuesday, January 9. Therefore, we need your remarks by noon, MONDAY, JANUARY 8.

ADMINISTRATIVELY CONFIDENTIAL



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre
SUBJECT: Reorganization 1979

This memorandum presents the results of our analysis of the major items on the 1979 reorganization agenda awaiting approval.* Four principal projects are described: natural resources, development assistance, food and agriculture, and commerce and trade.

These four areas were chosen with the goal of bringing about visible achievements in government performance and efficiency: more service from the same dollars, reduction in personnel and administrative costs, consolidation and simplification of programs, less overlap and duplication. Together with civil service reform, the Department of Energy, and the pending Department of Education, the initiatives described below would give us a reorganization record affecting most of the domestic Cabinet by 1980:

- (1) Natural Resources. The excessive number of Federal natural resources agencies doing much the same thing makes it confusing for citizens to know where to go, costly for businesses delayed by complex permitting requirements, and complicated for the government to develop and implement coherent policy for balancing conservation and development objectives. A natural resources reorganization would simplify this structure and help to solve these problems as well as save money for the government and the private sector.
- (2) Development Assistance. The complexity, paperwork, and delay in delivering development grants, loans, and services has long been a complaint of mayors, governors, and businessmen. Federal investment in

* Preparations are underway for education reorganization, which you have already approved.

development programs cannot be focused for optimal payoff. Private sector partners often cannot afford to wait months for Federal action. By reorganizing and consolidating programs in this area, we can begin to address these concerns as well as save administrative costs for Federal, State and local governments.

- (3) Food and Agriculture. Nutrition policy is of increasing importance to the quality of the American diet and to agricultural commodity and trade policy. No agency now has lead responsibility for developing and coordinating policy in this area. We believe that the Department of Agriculture should be designated the lead agency for nutrition policy and that we work with Secretary Bergland on internal changes to strengthen USDA's role.
- (4) Trade and Commerce. We are not yet prepared to make a recommendation regarding the mission of the Commerce Department. However, our analysis has indicated important deficiencies in the Federal Government's capacities to formulate and implement trade policy and to conduct economic analysis. A major cause of these deficiencies is program fragmentation. We will be able to present carefully analyzed and politically tested Commerce Department options shortly.

In short, these options are designed to modernize the structure of government by focusing resources on today's problems, streamlining government processes, and saving money for the public and private sector. Implementing them will require a combination of reorganization plan and legislation.

The remainder of this memorandum discusses each set of options in detail. Parts I - IV offer options in specific subject areas.

I. Natural Resources

A. The Problem

Managing the Nation's natural resources -- land, air, water, oceans, wildlife -- is a substantial Federal responsibility. But organizational fragmentation and overlap make it difficult to do a good job. Exhibits I and II summarize natural resources programs and the current jurisdictional fragmentation of resource programs. This program dispersion creates real problems.

Department	Division	Office	Fiscal Year	FY 1964	FY 1965	Remarks
Department of the Interior						
Bureau of Land Management		Sanborn, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Land Management, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Land Management, Alaska, oil, gas, mineral, timber, and other resources.		600.0	8,764	Manages 420 million acres of public-land lands including Alaska, Alaska oil and gas leasing on the Outer Continental Shelf. Research on mining and metallurgy technology. Compiles mineral resource inventory and assessments.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		100.1	2,400	Plans, constructs and operates water development projects in 17 Western States, primarily for irrigation & hydroelectricity.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		200	2,245	Manages 300 acres of wildlife refuge. Conducts research on fish and wildlife. Provides endangered species.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		400.5	5,215	Operates fish hatcheries.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		600.1	8,552	Performs surveys and research on mineral and water resources, geology, geophysics, and other. Manages Alaska and OCS lands.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		600.3	800	Administers Land and Water Conservation Fund. Administers nationwide recreation planning and historic preservation program.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		100.7	9,142	Manages 300 acres of National Parks.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		1.8	27	Performs mineral policy analysis.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		110.6	924	Regulates surface coal mining and reclamation of abandoned coal lands.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		20.6	75	Administers water resources research centrally. Provides grants to universities for research.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		110.2	102	Responsible for land, American lands, the Virgin Islands and the Trust Territories of the Pacific.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		1,200	12,777	Trusts for Indian lands and water. Provides social services.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		1,224	21,225	Manages 167 million acres of National Forest Lands. Provides analysis to State and private forestry program. Conducts forest and range research.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		200.3	6,410	Plans and finances water resource projects in soil conservation, primarily for flood control & drainage. Conducts surveys of soil conditions & proper crops. Measures watershed & forecasts water supply in the West.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		2,022	20,000	Plans, constructs, and operates water development projects, primarily for navigation, flood control, hydroelectric, and recreation. Provides emergency response to natural disasters and national emergencies. Regulation disposal of dredged fill material and construction to navigation.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		777	12,220	Manages ocean fishing resources; administers State coastal zone management planning program; protects marine mammals and endangered species; conducts research and assessment of the marine environment; monitors and predicts weather and climate; conducts research on meteorology and climate; and prepares marine charts and nautical maps.
Bureau of Reclamation		Water, power, navigation, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources; Bureau of Reclamation, Alaska, oil, gas, mineral, timber, and other resources.		60	100	Develops Federal water policy; administers State & river basin comprehensive water planning program; establishes guidelines for water project planning; & conducts independent reviews of project plans.

Plans, constructs, and operates large multipurpose water projects, primarily for hydroelectric and irrigation.

margin fluctuates with weather.

Changes in LA and Overall Plant System

Design 4th a series of publicly owned land for multiple purposes, including grazing, timber, agriculture, recreation, and wildlife habitat.

There are 20 cases of publicly owned land for special purposes such as national parks and military reservations.

Conducts recreation planning and historic preservation programs. Administers land and water conservation fund.

Regulation of persons and
mining.

Regulation and protests
concerned and threatened
operation of plants and
mining.

Manages 1871 acres of National Forests for multiple purposes, including timber, grazing, minerals, recreation and wildlife habitat.

Provides technical and financial assistance to state forestry programs.

Manage oil and gas leasing on the Outer Continental Shelf which involves support research in marine science and environmental impact studies. Jurisdictional disputes arising with many other future development of coastal resources.

Manages a variety of fish
baiting and construction
fish.

Consider a marketing experiment

Conducts a program of
weather modification to
increase water supplies to
the West.

perform surveys and assessments of mineral resources, including geologic investigations, geophysical surveys, and seismic interpretation.

Continents broad-based program of water resources research, fish and wildlife research, ecological research, marine minerals research, and land-based mining and minerals research and development.

Conducts nationwide program of surface and ground water resources monitoring, including water quality. Analyzing national water data resources.

Preparation steps and charges.

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Prepared on request under the Access to Information Act

Dinner

**Call Conservation Services
today and help
protect our
wildlife.**

Plans and finances multiple purpose water projects in small watersheds, primarily for flood control and water use.

**Prepared multiple bond and
with notes**

conducts nationwide surveys of soil conditions and their possible uses; conducts an interagency program of ammonia measurements and water forecasts in mountain streams.

**National
Geographic
and Atmospheric
Administration**

Administrators conduct field-
 visit programs, testing
 research and development
 programs; protect water
 quality and endangered
 species; conduct ocean-
 graphic data collection and
 research; administer State
 coastal zone management
 planning programs.

Monitors weather and climate
and prepares forecasts;
issues storm warnings and
explains community prepared-
ness; conducts research
on meteorology and weather
modification; operates wea-
ther and research facilities

Conducts interagency program of climate research; manages oceanographic and marine science programs; administers grants to universities for basic research in marine sciences.

Research production and
distribution of marine
charts and related maps
and research plans.

Coups of Force

Dams, canals, and other water development projects, primarily for flood control, navigation, hydro-power, and recreation. Provides emergency response to flood and other natural disasters. Regulates discharge of dredged or fill material and other activities to navigation.

Manages 8 million acres of
government lands for multiple
uses, with large recreation
component.

Regulates ocean dumping of dredged materials under EPA guidelines and state permits.

Conducts hydrologic investigations and collects water resources data. Researches engineering research in support of any construction techniques.

Conducts Ecological and Environmental Studies.

100-443887-1

Develop water resources policy. Manage watershed give river basin and State water resources planning. Establish guidelines for planning of water projects. Conduct an independent review of project plans.

No one official, short of you, can take an overview of resource matters; set policies and priorities; or make decisions with a perspective balanced between conservation and development.

No one addresses natural resources comprehensively, even though extensive interactions in the physical world exist. Even when policy is developed, often no one has clear authority to carry it out. For example, the Secretary of Interior has been assigned to implement water policy reforms, but he has no authority for Corps project planning. Relating natural resource programs to other areas, such as international relations, energy, and environmental protection, is difficult.

Numerous confusing field systems make it difficult to coordinate policy decisions with State and local governments, respond to regional differences, and provide efficient service delivery.

Responsibilities for each resource area (land, oceans and water) are badly fragmented. For example, water resources policy planning and construction responsibilities are assigned to three operating agencies and the Water Resources Council.

Today's problems will intensify in the future with increasing population, economic growth, and increasing demand for outdoor recreation.

- o Unclear assignment of responsibilities leads to interagency competition, duplication of skills, and failure to take advantage of economies of scale.

Interior and NOAA have several areas of contested jurisdiction and overlap, including hydrology, marine biology, mapping and charting, and deep sea mining. Despite numerous coordinating committees, the problems remain.

Interior and the Forest Service manage public land for the same multiple purposes. Yet each has its own experts, investment levels, field structure, and systems for dealing with the public, including timber, cattle and recreation industries.

The three water development agencies independently pursue their own project planning studies to support

their own construction program levels. This causes unnecessary expense, poorly conceived projects, and extra pressure from hopeful beneficiaries.

All the natural resource agencies have research and data programs but there is no central clearinghouse, making it difficult for agencies and the public to take advantage of each other's knowledge.

Inconsistent regulations and procedures make it difficult, time-consuming, costly, and confusing for natural resources users.

Recreation services are provided by several agencies. Different priorities in funding levels result in some overdesigned and overstaffed facilities while others are neglected.

Interior and the Forest Service, both managing similar public lands, have different regulations for permits, fees, accounting methods, recreational usage and environmental regulation. This situation is particularly troublesome when the two agencies have adjacent or intermingled land, and users seek permits for grazing, access roads or other uses that cross jurisdictions.

Responsibility for management of the Outer Continental Shelf is vested in Interior. NOAA has most other ocean-related responsibilities and expertise, such as oceanography, fishery regulation and coastal zone planning. This division of closely related programs causes duplication, confusion for developers and environmental groups, and fails to take full advantage of complementary skills.

B. Principal Alternative: Department of Natural Resources

Built on a reorganized Interior, a DNR would incorporate the Forest Service, NOAA, the Soil and Snow Surveys of the Soil Conservation Service, the Water Resources Council, and the Water planning functions of the Soil Conservation Service and the Corps of Engineers. If the Forest Service is not included in the package, our principal Congressional supporters would withdraw their active support. DNR would be responsible for managing the Nation's natural resources and ensuring their protection and wise use. Once consolidated in a single department, these programs would be realigned into major program components as follows:

• NOAA (Commerce) and Outer Continental Shelf (Interior):

In the new Department, a major component including NOAA and the oceanic programs of Interior would be created, giving these functions higher priority and eliminating duplication.

Forest Service (Agriculture) and Bureau of Land Management (Interior): The experience and professional staff of the Forest Service make it the premier multiple use land management agency in the Federal Government. Within the new Department, the Forest Service would provide the base for this component and, over time, would absorb the Bureau of Land Management.

• Geological Survey (Interior) and Soil and Snow Surveys (Agriculture): Most of the resource agencies gather information and do research. Their data and research findings are often in different formats and difficult for States and other agencies to use. By locating these support programs in a science and minerals component of DNR, they can be made more useful.

• National Park Service, Fish and Wildlife Service, Heritage Conservation and Recreation Service (Interior): Within DNR, the National Park Service, Fish and Wildlife Service, and Heritage Conservation Service would be grouped together, permitting maximum efficiency in program delivery.

• Water Resources Council, parts of the Corps of Engineers (Defense), parts of the Soil Conservation Service (Agriculture) and Bureau of Reclamation (Interior): Water resources problems are being addressed by the water policy reforms. However, these policy directives can be more effectively and permanently implemented with accompanying organization improvements.

To accomplish this, option 1 would transfer to and consolidate in DNR the Water Resources Council and the policy, planning and budgeting functions of the three water development agencies. Detailed project design and construction functions of the Bureau of Reclamation and Soil Conservation Service would be transferred to and consolidated in the Corps, which would become the government's water project construction arm.

This step would redefine the mission of the Corps', making it essentially a construction agency capable of performing work for DNR and other Federal agencies. The DNR would plan and budget for all water development activities, and the Corps would act as construction agent under strong policy and review controls. The Corps would have an increased design and construction capability to undertake assignments for other agencies. Separating

project planning from construction would greatly reduce the incentive to generate plans to support a construction program. Although some inefficiencies may result from separating planning and construction functions, there would be net personnel cost savings of \$38 million annually. About 3,000 planners would transfer from the Corps to DNR and about 6,000 Reclamation and Soil Conservation construction personnel would transfer to the Corps.

The DNR would exercise budget, planning and policy oversight of the operations and maintenance activities for water projects. To this end, the Corps would continue the day-to-day maintenance and operation of its projects (under DNR guidance), while the DNR would operate and maintain current Interior projects. This arrangement would be subject to future adjustment as DNR develops experience in this area.

We evaluated other options for handling water resources. For example, Option 2 would consolidate in DNR all the functions of the Corps' civil works, Bureau of Reclamation, Soil Conservation Small Watersheds, and Water Resources Council, thereby providing stronger executive direction and greater savings. However, this option would impair the Corps' military construction and mobilization capacity and its ability to take on alternate missions.

A sub-option that could be instituted with either Option 1 or Option 2 would be to transfer the Corps of Engineers' navigation and transportation policy functions to the Department of Transportation. Thus, DOT would have comprehensive transportation planning. This sub-option, however, could further fragment water policy and requires further analysis as to how DOT interests can best be met.

A third option is to strengthen the Water Resources Council by providing an independent and full-time chairman and making it the lead agency for water policy. The strengthened Water Resources Council would provide policy leadership, independent review of projects, coordination with States, and advice to OMB on budget proposals. This option creates a minimal organizational change and offers some improved management of water resources programs. In the past, however, interagency coordinating groups have not been effective.

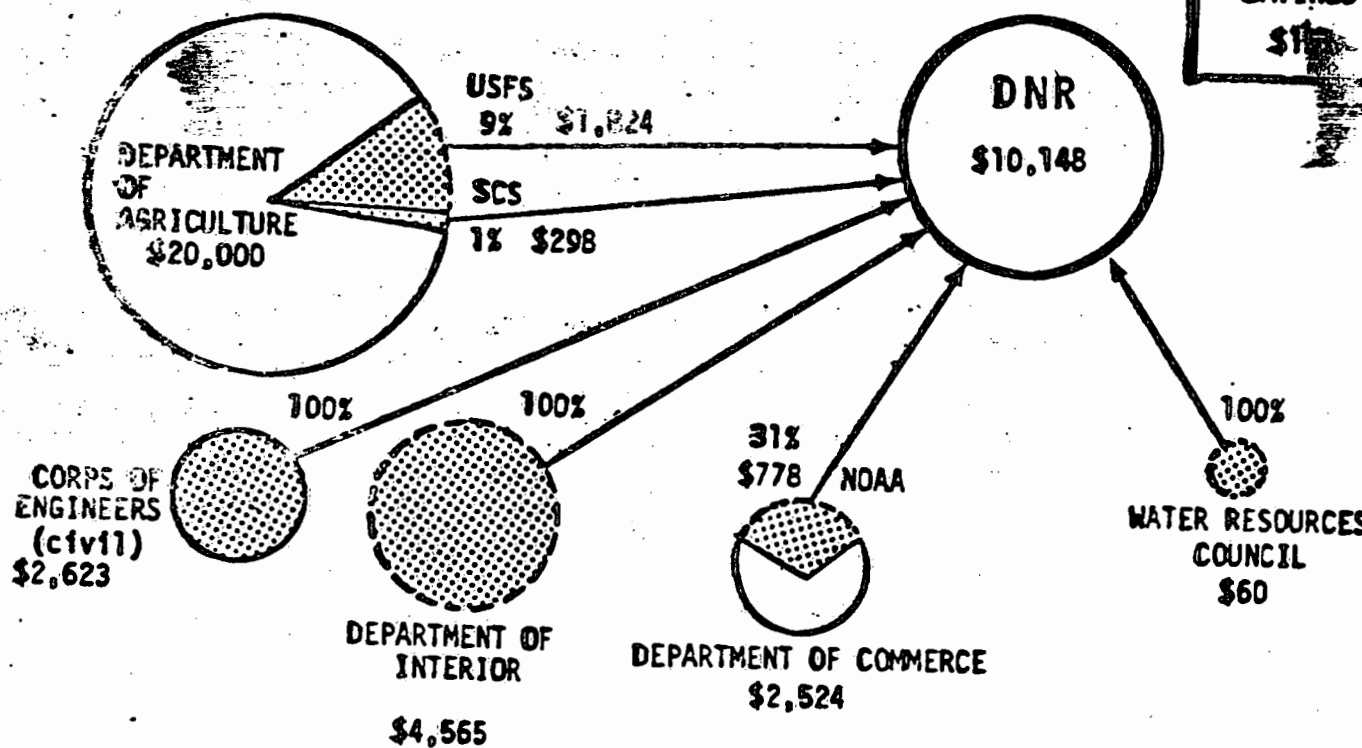
Once the new Department is created, a comprehensive organic act would help to complete the reorganization and define the mission of the new Department. Exhibit III graphically depicts the resource and manpower transfers for a Department of Natural Resources.

DEPARTMENT OF NATURAL RESOURCES

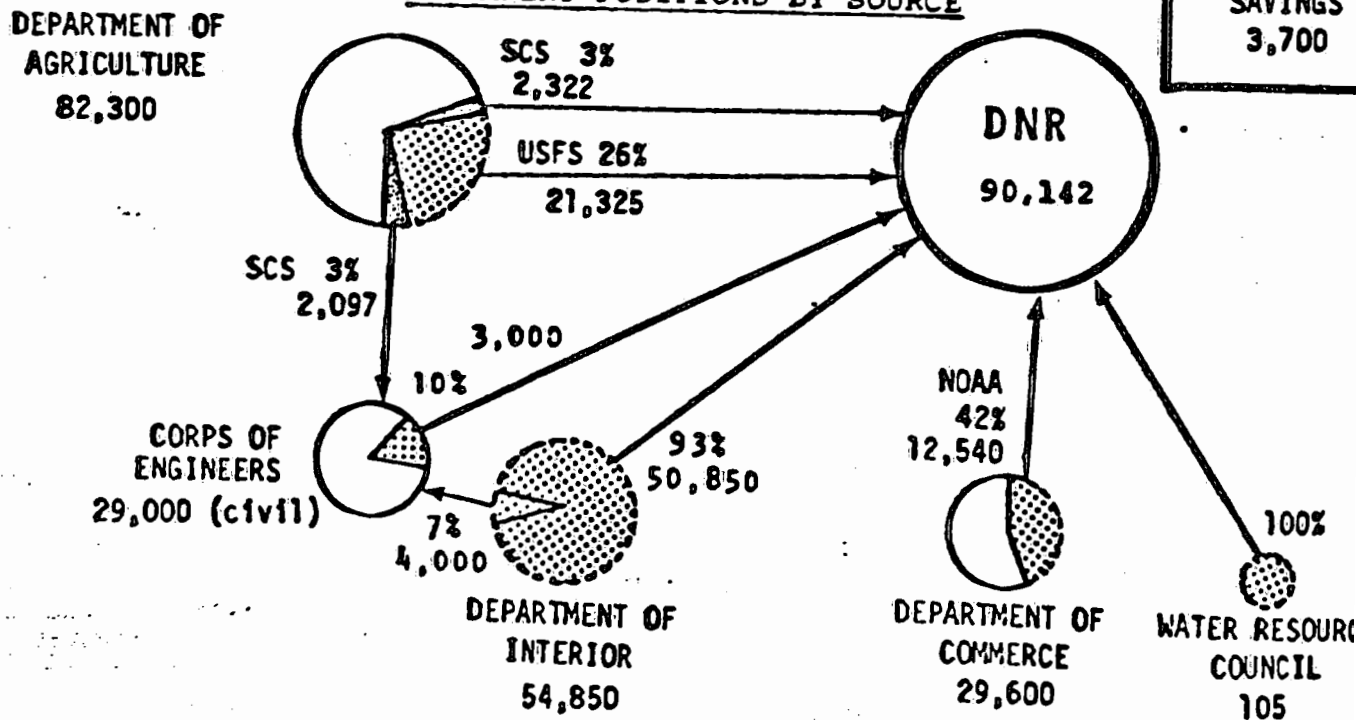
EXHIBIT I

BUDGET AUTHORITY BY SOURCE

(Millions)



PERMANENT POSITIONS BY SOURCE



FY 1979 ESTIMATES

Advantages of DNR

The functions can be performed at the same levels with an estimated savings of \$151 million and 3,700 positions (obtained over several years). These savings result from merging similar functions, streamlining internal organization, unifying field systems, and improving service delivery, and abolishing or curtailing unnecessary programs.

- Services will be delivered faster and better. Commercial firms interested in oil and gas leasing on the Outer Continental Shelf or public lands will benefit from a unified regulatory structure and faster decisionmaking process. Recreation users will have easier access to information and special interpretive services. Grazing, timbering, tourism, and fishery interests, permit seekers, and State and local governments will have a simpler relationship with the Federal Government, dealing with only one agency, rather than two or more. Environmentalists and conservationists will have easier access to Federal policymaking as well. Faster rulemaking and consistent regulations for endangered species will benefit both conservation and commercial interests. Better coordinated data collection and consolidated mapping and charting services will make better data available to public and commercial users at lower cost.
- A uniform data collection system and exchange of research results will provide a better basis for informed decisionmaking.
- Policy and case decisions will be balanced better in an institution having an overview of all resource areas and a broad constituency spanning both development and preservation perspectives.

The disadvantages of DNR are covered in the relevant Cabinet comments.

C. Other Alternatives Considered

We considered four other alternatives and consulted widely on them.

(a) Department of Agriculture and Renewable Resources --

This option would consolidate USDA's land and water functions, primarily the Forest Service and Soil Conservation Service, with public land management, water resources, and ocean fisheries from other Departments. Consolidating in Agriculture would appear to give a greater production emphasis to resource management. For example, development, marketing and use of fish as a food source would become a primary focus of the ocean fisheries program. Merging the Bureau of Land Management and the Forest Service would solve the problems associated with having two separate land management agencies and build on the Forest Service, the stronger of the two units. Agriculture has experience both in managing public lands and assisting private owners with private land management. Interior has experience with public land only. On the other hand, public lands are managed for many uses other than the production of food and fiber emphasized by Agriculture. Federal responsibility for those other uses, such as recreation, mineral development and management of

fish and wildlife, would remain in Interior and continue the fragmentation in these areas.

(b) Improved Coordination Without Major Realignment --

This option would retain the existing structure and establish a Natural Resources Council, or individual councils for land, water, and oceans to develop policy and coordinate actions. This option would avoid disruption but would create additional layers of government, especially in the Executive Office. Accountability would be confused, and previous results with this type of approach have been poor.

(c) Department of Natural Resources and Environment --

This option would join most natural resource management programs, plus environmental regulatory programs of the Environmental Protection Agency (EPA). It is not feasible because EPA's jurisdiction goes well beyond resource management to include regulation of many other areas, such as urban and industrial wastes. EPA is increasingly oriented toward public health.

(d) Department of Oceans and Atmosphere

A Department of Oceans and Atmosphere would be responsible for oceans, and coastal and atmospheric affairs and would consolidate the bulk of the programs associated with those activities (except for military programs). The Department would include the National Oceanic and Atmospheric Administration (NOAA) and the Maritime Administration from Commerce and the U.S. Coast Guard from Transportation. The option would recognize the growing importance of the oceans and ocean resources to the Nation. It would also improve coordination among Federal activities relating to the oceans. However, the Department addresses only a part of the total natural resource issue and would leave other fragmented resource areas unaddressed.

Agency Comments

Commerce believes DNR should not be created unless it has a clearer policy focus. It states that the concept fails to view the affected programs as economic and social issues as well as natural resource issues, particularly NOAA's fisheries programs. Commerce further believes that NOAA is working well at Commerce and that DNR will be primarily a land and water use agency and, therefore, not a good home for NOAA.

Finally, Commerce believes that the benefits -- which in its view cannot be obtained without consolidating policy authorities including regulatory programs -- will be outweighed by the costs in program disruption and controversy.

Army addresses only the water development options and favors Option 3, a strengthened Water Resources Council. It believes that with strong leadership, coordination could work and that it would be a less costly alternative. Army believes that the recommended option would jeopardize politically the implementation of other water policy reforms; that the loss of planning and policy functions would cripple the Corps, particularly in giving military support during times of emergency, and in recruiting; and that the change would result in delays and increased project costs. Some argue that separating water resource planning from construction functions means that the planners may be out of touch with the construction personnel. The Corps may have to redevelop a planning capacity to link planning and construction and maintain the skill to discharge regulatory responsibilities.

CEQ supports the DNR and believes the water resources recommendation is particularly important, both in solving current problems and in providing the Corps a new mission. CEQ believes that DNR should have clear authority to deal with private land use protection and conservation issues; that a "Life Sciences Center" and should be formed to provide scientific opinion on ecological issues; that the Corps navigational transportation functions should be transferred to DOT; and that Energy Department responsibilities for regulating energy minerals leasing activities should be a part of DNR. CEQ also suggests that two disadvantages of DNR be raised: (1) having two or more agencies doing the same thing encourages creative competition and leads to better public information, and (2) one agency may not be able to balance policies and resolve conflicts regarding use of natural resources. Negotiation among Cabinet level officials may produce a better result.

Justice supports DNR, but believes that the water resources option will not give DNR sufficient control over the Corps, in view of its close relations with the Public Works Committees. It also warns that BLM should not be allowed to down-grade the Forest Service professionalism.

Transportation favors the transfer of the Corps' navigation and transportation policy functions to DOT.

Agriculture believes that the Forest Service and BLM should be combined and that a new agency should be built around the Forest Service. Some argue that separating the Forest Service from Agriculture would break links between the agencies and force some farmers to deal with an extra department. Agriculture supports the portion of the recommended water resources option that would merge water policy and planning functions, but opposes the portion that would merge construction functions in the Corps.

Energy supports natural resources consolidation, but believe that management of non-renewable resources on public lands should be given more attention, that Outer Continental Shelf leasing and regulatory functions should be streamlined, and that Energy and other agencies should continue to be involved in water resource decisions.

Interior strongly supports the DNR concept and most of the recommendations. However, Interior believes that water resources Option 2 -- moving to DNR all planning, budgeting, construction, operation and maintenance functions of the Corps and Soil Conservation Service -- should be recommended. Interior believes this option would be most efficient and would not affect adversely the Corps' military functions like CEQ. Interior believes that the Energy mineral leasing regulatory functions should become a part of DNR.

Decisions

- (1) Should a Department of Natural Resources be created including all of Interior, the Forest Service, NOAA, and the Soil and Snow Surveys of the Soil Conservation Service?

..... yes, include all recommended programs

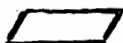
..... yes, but do not include Forest Service

..... yes, but do not include NOAA

..... no

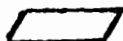
- (2) If you have chosen to create DNR, how should water resources be handled?

Option 1: Have DNR plan, budget, and develop policy for water development including the water resources council functions; make the Corps the construction agent including relevant portions of the Soil Conservation Service and Bureau of Reclamation.



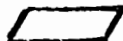
OR

Option 2: Consolidate in DNR all Corps civil works, Soil Conservation Service, small watershed, and the Water Resources Council



OR

Option 3: Strengthen the Water Resources Council and make no program transfers



II. Development Assistance

A. The Problem

This country will continue to experience subnational development problems and needs that jeopardize the fulfillment of national social and economic goals. These problems take the form of (1) large pockets of chronically unemployed people left behind by changing economic circumstances in urban and rural areas; (2) inadequate public and private facilities in rural areas and small towns, and deteriorating infrastructure in cities; (3) problems caused by base closings, regulatory actions, rapid growth, the decline of particular economic sectors, changes in transportation or production technology, trade problems, and the like.

General economic policies are too broad to address subnational problems without causing difficulties. Nor do outright cash transfers provide a long-term solution, since they generally fail to affect the underlying causes of distress and thus increase local dependence on the Federal Government.

What is needed instead, as reflected in your urban message and elsewhere, is an integrated development approach aimed at strengthening the long-term social and economic base and encouraging private job creation in local areas.

To be effective, such an approach requires:

- o The harnessing of a critical mass of the limited resources available;
- o The integrated use of a variety of development tools, especially business assistance, public facilities, planning, and housing;
- o Streamlined program delivery and the capacity for timely decisions;
- o The effective involvement of different levels of government and the private sector;
- o A policy and program mechanism broad enough to take account of the increasing interdependence of urban and rural areas; and
- o A solid analytical capacity to identify problems and formulate adequate responses.

Unfortunately, however, the organization of Federal development assistance programs diverges from what is needed in almost every respect:

o Programs and resources are severely fragmented.

Economic development assistance is splintered among ten programs in five different agencies (Economic Development Administration (EDA); Department of Housing and Urban Development (HUD); Farmers Home Administration (FmHA); Small Business Administration (SBA); and Community Services Administration (CSA)). The proposed National Development Bank would create a sixth.

General community facilities assistance is scattered among four agencies (HUD, FmHA, EDA and EPA) and the Title V Regional Commissions.

Nine programs in three agencies (HUD, EDA and FmHA) and the Title V Regional Commissions provide funds for development planning.

The long-term economic development programs have no effective links with employment and training programs that are preparing people for jobs.

o Program procedures conflict.

Each of these many programs has its own funding cycle, its own planning requirements, its own eligibility standards, and its own application process, making coordinated use of Federal tools difficult.

o Delivery systems diverge widely.

For example, EDA relies on six regional offices and a network of "development districts."

HUD has 10 regional offices, 40 area offices, 37 insuring offices and eight valuation stations.

The Title V Regional Commissions rely on the States for development planning and programming, while HUD and EDA largely bypass the States.

The FmHA has 42 State offices and 2,445 county offices.

o Authority does not match responsibility.

The current structure has no consistent organizing principle. Agency responsibilities are split along both geographical and functional lines so that Cabinet secretaries frequently lack program authority to carry out their responsibilities, and no Cabinet official has the authority or responsibility to devise and carry out overall subnational development policies.

For example, although USDA has the rural development lead, 75 percent of rural development grant funds are in HUD and Commerce. Commerce, which has major economic development responsibilities, spends most of its EDA funds on public facilities, while HUD, which has major community facilities responsibilities, spends more on economic development projects through its UDAG and CDBG programs (10 percent of which goes for economic development) than all of EDA.

This fragmentation causes major administrative and programmatic problems, including:

- o Confusion and excessive administrative burden and cost at the State and local level. Each program has its own separate regulations, requirements, and management procedures. This causes tremendous confusion at the local level. Small cities and rural areas, in particular, complain that only cities with extensive grantsmanship operations can sort out the maze and get adequate development funding.
- o Limited ability to involve the private sector. The number of agencies and procedures to be followed for packaging complex projects results in long lead times before projects can get underway. Private investors often cannot afford to wait. One agency's refusal can jeopardize the project, making businesses reluctant to get "tied up" in government red tape.
- o Inefficient use of Federal personnel and resources. Opportunities to save administrative costs and use more effectively scarce technical talents now spread among the agencies are being lost. In fact, there is a trend toward further entrenchment of the waste and overlap. Three agencies are expanding staffs to conduct similar economic development functions (FmHA, HUD, and EDA), and a fourth is about to be created (The National Development Bank). EDA is hiring urban specialists from HUD. Meanwhile, HUD, EDA, and FmHA are reviewing plans and applications from the same communities, often for the same project and while coordination to minimize this overlap is being undertaken, it is very costly and wasteful.

Unnecessary rigidity in the system; lack of flexibility to respond to local needs and opportunities; inability to pool and focus limited funds effectively to implement national policy. Each categorical program has a slightly different viewpoint and set of requirements that must be met. Each community must attempt to tailor its strategy to react to the changing mix of often narrow and not always consistent agency viewpoints and corresponding funding levels. Each program has slightly different targeting criteria determining which communities or parts of communities can receive funds.

- Lack of policy focus and direction. Fragmented programs and agency responsibilities make it difficult to devise and implement coherent national policies. No one agency can formulate development strategies that balance the needs of communities of different sizes or set priorities among different types of tools.
- Difficulties in comparing and evaluating the effectiveness of different approaches because of wide variations in data collection and interpretation among programs and agencies. No agency can evaluate the total impact of development assistance programs.
- Gaps and overlaps in geographic coverage resulting from the widely different definitions of urban and rural used in different programs and the presence of three different agencies (HUD, EDA and FmHA) providing virtually identical kinds of assistance to smaller communities. With lines of demarcation so blurred (because of the haziness of the underlying demographic distinctions) and the responsibilities so confused, some types of communities find themselves sent from agency to agency to get the aid they need.

Exhibits IV, V, and VI describe the programs and depict the organizational fragmentation.

B. Principal Alternatives:

Option 1. A Department of Development Assistance (DDA) and program consolidations that would streamline Federal development assistance. The organizational and programmatic changes are highly interrelated since the major program reforms are not possible without program transfers.

EXHIBIT IV

COMMUNITY AND ECONOMIC DEVELOPMENT PROGRAMS

Department or Agency	Program	Client	1979 Budget Authority Expected (Millions)	1979 Loan Authority (Millions)	1979 Personnel	Mission
HHD	UDAG	All communities meeting "distress" criteria	0 400		78	Fosters economic development in distressed cities and urban counties.
	CDBG Entitlement	States, communities, local public bodies.	2,652 657		709	Promotes development of viable communities.
	CDBG small cities	States, area wide planning agencies	111		270	Strengthens planning capabilities for community and economic development.
	701 Planning & Research	States, area wide planning agencies	111		270	Strengthens planning capabilities for community and economic development.
	Housing	Private developers, local housing authorities, individuals	26,859		8488	Promotes decent housing and a suitable living environment.
Commerce*	EDA I, III, IV, and IX	States, counties, communities, meeting "distress" criteria.	398		796	Assists distressed areas in increasing or retaining private sector job opportunities.
	EDA Title II	Business in "distress" areas	96.9	289	60	Encourages or maintains private sector job opportunities in distressed areas.
	EDA Trade Adjustment Asst.	Bus. injured by import competition	93	210	12	Allows firms to adjust to import competition.
	Title V Commissions	States in Title V Regions	63		81	Promotes economic development of "lagging" regions.
	FmHA (Crm. Facilities & Waste Disposal)	States, political subdivisions which serve rural areas	637.9 ^{2/}	1,130	435	Promotes development of viable rural communities.
Agriculture	FmHA (Bls. & Industrial Loans)	Business in rural areas		1,100	210	Facilitates development of private business to improve the economy of rural communities.
	FmHA (Indust. Dev. Grants)	Public bodies in rural communities	10			Facilitates development of private business to improve the economy of rural communities.
	National Development Bank	Local development authorities (for businesses) in distressed areas	3,930**	3,635**	232**	Encourages and assists the retention and development of permanent private sector job opportunities and private sector investment in distressed areas.
SBA	Sec. 501, 502	State and local development corporations	32	93	14	Encourages economic growth and prosperity in States and communities.
CEA	Community Economic Development	Community Development Corporations	48		42	Encourages development in urban and rural low income areas.

*Excludes Steel Loan Guarantee Program, funded with carry-over funds of 1981.

**Proposed for 1980.

1/ PFT personnel except FmHA which represents man-year equivalent of staff time.
2/ BA for grants and loans.

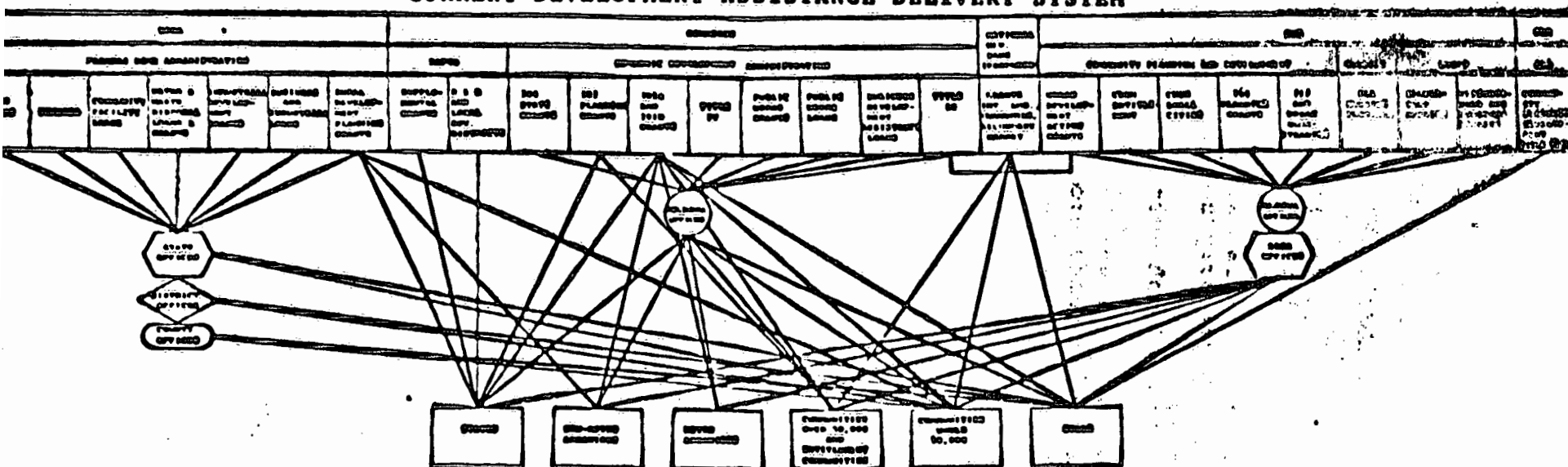
EXHIBIT 1078

FEDERAL AID TO ECONOMIC DEVELOPMENT ACT, 1961 (PL 87-281)

Agency	Planning Assistance	Private Development Loans	Economic Development	Technical Assistance	Community Development
EDA	Provides grants to develop the comprehensive planning capabilities of State and local governments, multi-county development districts, and EDA design rated small geographic areas.	Provides business loans and guarantees to firms that can demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment.	Provides grants for public works activities, involving local loan funds and operation of a variety of local, area state and multi-state economic development projects.	Provides direct technical assistance and grants to a diverse group of State, local public and private institutions, universities, firms, and professional associations.	Provides community development public works grants and loans, planning assistance, and technical assistance.
ESD	Provides grants to develop the comprehensive planning capabilities of State and local governments, and multi-county area planning areas.	None	Provides grants for business-related public works activities and the operation of a variety of local, state and multi-state economic development projects via EDA and EDA.	Provides direct technical assistance and grants to a diverse group of State, local public and private institutions, and multi-county firms, and professional associations.	Provides direct technical assistance and grants for public works planning assistance, technical assistance and operational funds.
EDA (Only Sections 101 & 102 for District Loan Program)	None	Provides via State and local Government Operation Funds for business loans and guarantees to firms that can demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment.	None	Provides management and technical assistance to small businesses and State university centers.	None
EDA (Only Rural Development Program)	Provides grants to develop the comprehensive planning capabilities of rural communities and multi-county planning bodies. This is provided via the Rural III program and through the Rural Development Service's Research, Conservation and Development Program.	Provides loan guarantees to firms that can demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment; rural areas only.	Provides grants to rural areas for development of industrial parks.	Through an industrial field delivery system, an indirect technical assistance program to make available to State, local public and private institutions, firms and associations.	Provides community development grants for water and waste disposal systems and loans for rural areas of community facilities.
EDA (Only Community Economic Development Program)	None	None	Provides grant funds to Community Development Corporations which use these funds for investment in for-profit businesses that provide employment opportunities.	Provides grant funds to Community Development Corporations which use these funds for provision of technical assistance.	Provides grant funds to Community Development Corporations which use these funds for Community Development activities.
Title V Regional Commissions	Provides grants to develop the comprehensive planning capabilities of State Com. and multi-county planning bodies and development districts, plus special planning activities of the Multi-State Regional Commissions. This is provided via Title V of the Public Works and Economic Development Act of 1961.	None	Provides supplemental public works grants to other basic programs and grants to conduct special demonstration projects of a varied nature.	Provides direct technical assistance and grants to State and local governments, multi-state development organizations, private firms and professional associations.	Provides supplemental grants and demonstration projects, planning assistance and technical assistance.
Regional Development Bank (grants)	None	Will provide loans, guarantees, and selected subsidies to firms that demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment.	Provides grants to businesses as a subsidy to influence their location decisions.	Will provide direct technical assistance and grants to State and local governments, multi-state development organizations, private firms and professional associations.	None

Source: President's Commission Report

CURRENT DEVELOPMENT ASSISTANCE DELIVERY SYSTEM



Organizational changes: The central concept underlying DDA is the need to bring into a single organization a core of development tools aimed at improving the long-term economic health and vitality of local areas. The concept builds on two premises: first, that an effective development approach requires the coordinated use of a variety of tools since business location decisions are affected by far more than the availability of only business assistance; and second, that the interdependence among urban and rural areas requires an organization that addresses the needs of all types and sizes of places within a unified framework while still allowing for program variations geared to local needs and capabilities.

To achieve this, the DDA would absorb the following Federal program responsibilities:

<u>Current Agency</u>	<u>Programs</u>
Agriculture	Community and economic development programs (non-farm and non-housing) of the Farmers Home Administration
Commerce	Economic Development Administration, Title V Regional Commissions
CSA	Community Economic Development Program
HUD	All programs
SBA	501 and 502 programs (loans to State and local development companies)
National Development Bank (proposed)	All

These changes would group the major Federal economic development, community development and development planning programs, as well as many of the housing programs, in one place.

So constituted, the DDA would become the central focus of Federal efforts to encourage the long term viability of States, regions, and local areas of all sizes. It would become the principal Cabinet advocate of balanced subnational development.

Within the Department, economic development would be organizationally distinct from housing and community development, thus preserving its emphasis on job creation. The Department would establish organizational representation for urban and rural responsibilities and provide for the special delivery system needs of small towns and rural areas.

Exhibit VII depicts the transfer of resources and personnel in this option. Exhibit VIII depicts the simplified delivery of Federal development assistance under this option.

• Programmatic Changes. The Department of Development Assistance would make possible program changes to help solve the problems caused by the current fragmentation. Many of these program changes would require separate legislation and could be pursued simultaneously with the creation of the DDA or be phased in over a period of time.

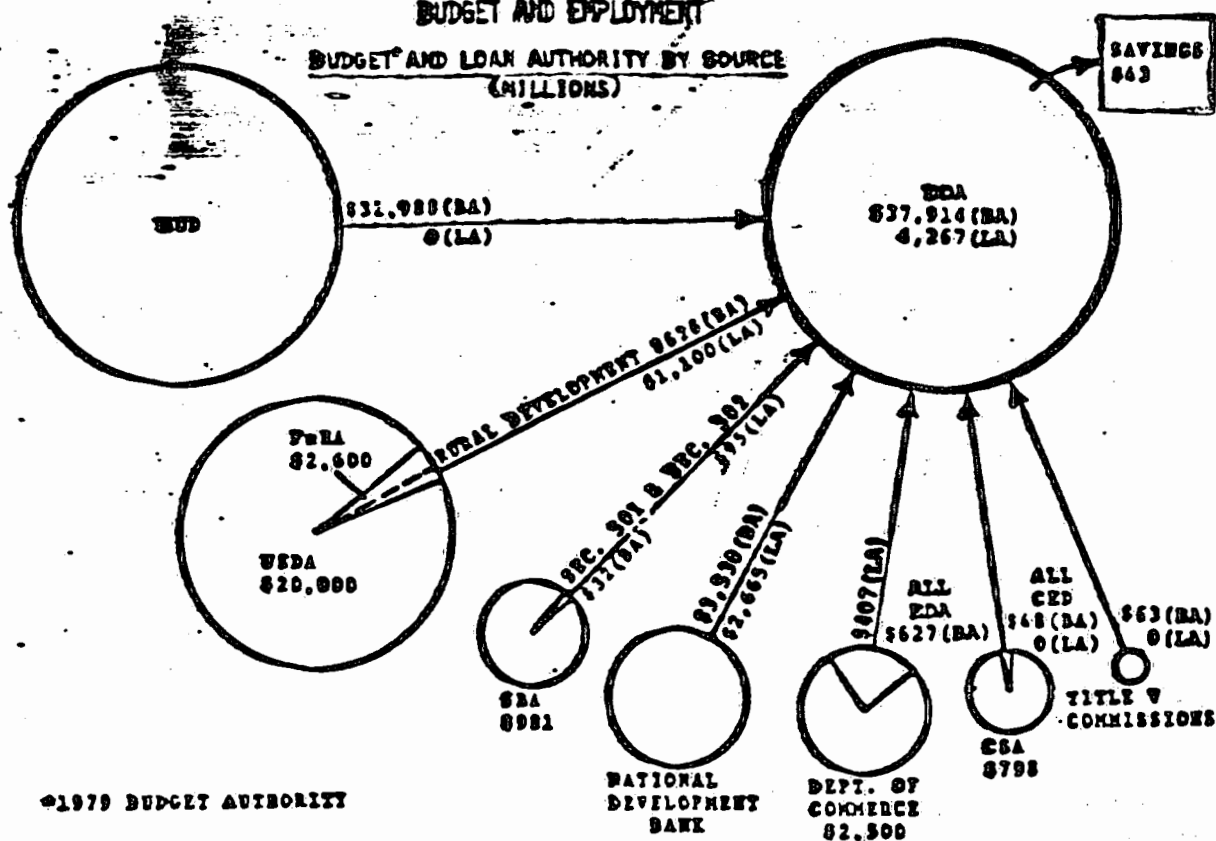
Consolidated Economic Development Assistance Program:

Combine 11 individual economic development grant and loan programs into:

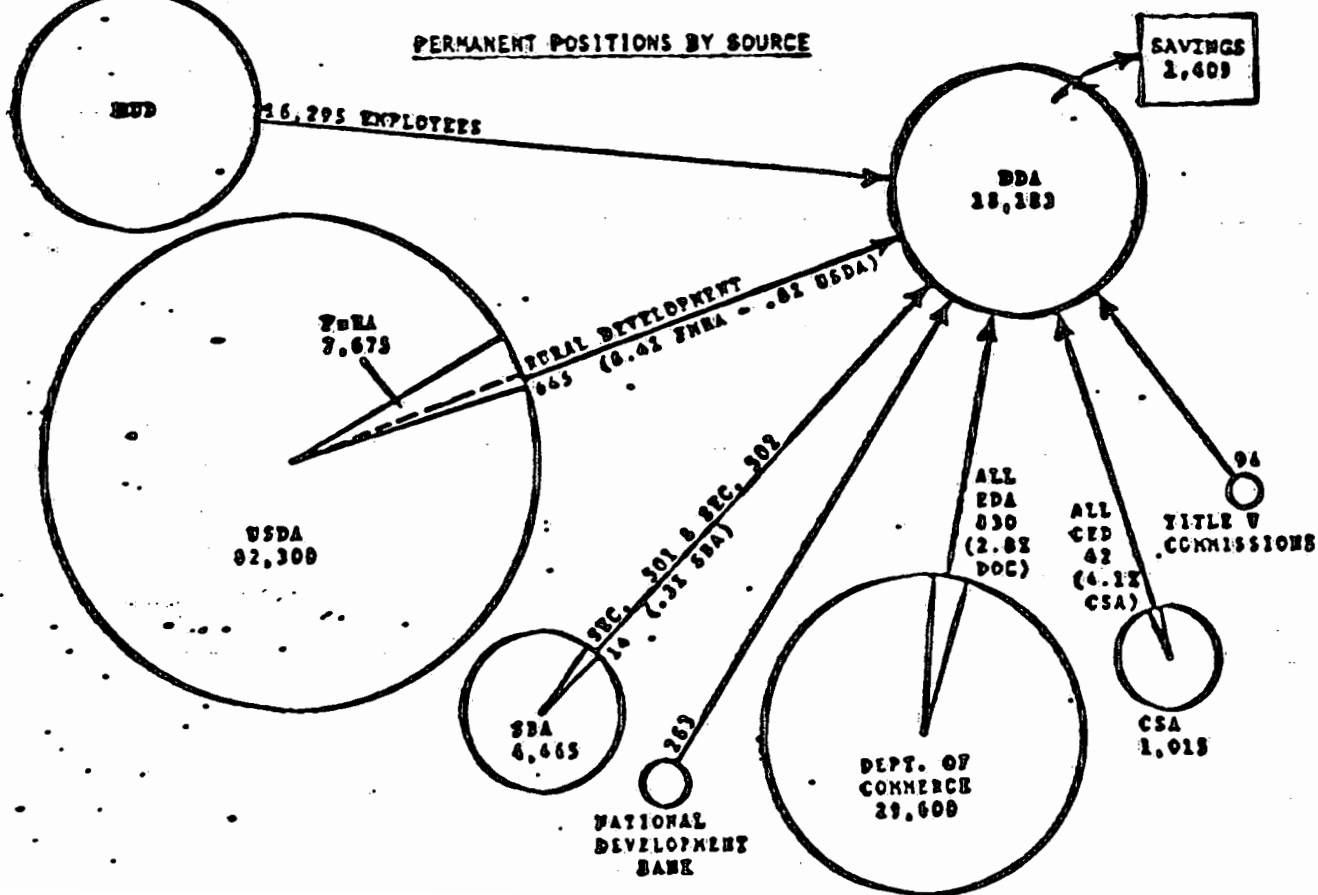
- (1) a consolidated economic development grant program (EDA Title I, IV, IX, Secs. 301 and 304; HUD UDAG; FmHA Industrial Development grants; National Development Bank grants);
- (2) a consolidated economic development loan program building on the proposed National Development Bank. (National Development Bank credit programs; EDA Title II Business loans; FmHA Business and Industry loan guarantee program; SBA 501 and 502 loans to State and local development corporations).

Both of these would be discretionary programs and would be administered by an expanded Economic Development Administration within the Department of Development

DEPARTMENT OF DEVELOPMENT ASSISTANCE
BUDGET AND EMPLOYMENT
BUDGET AND LOAN AUTHORITY BY SOURCE
(MILLIONS)

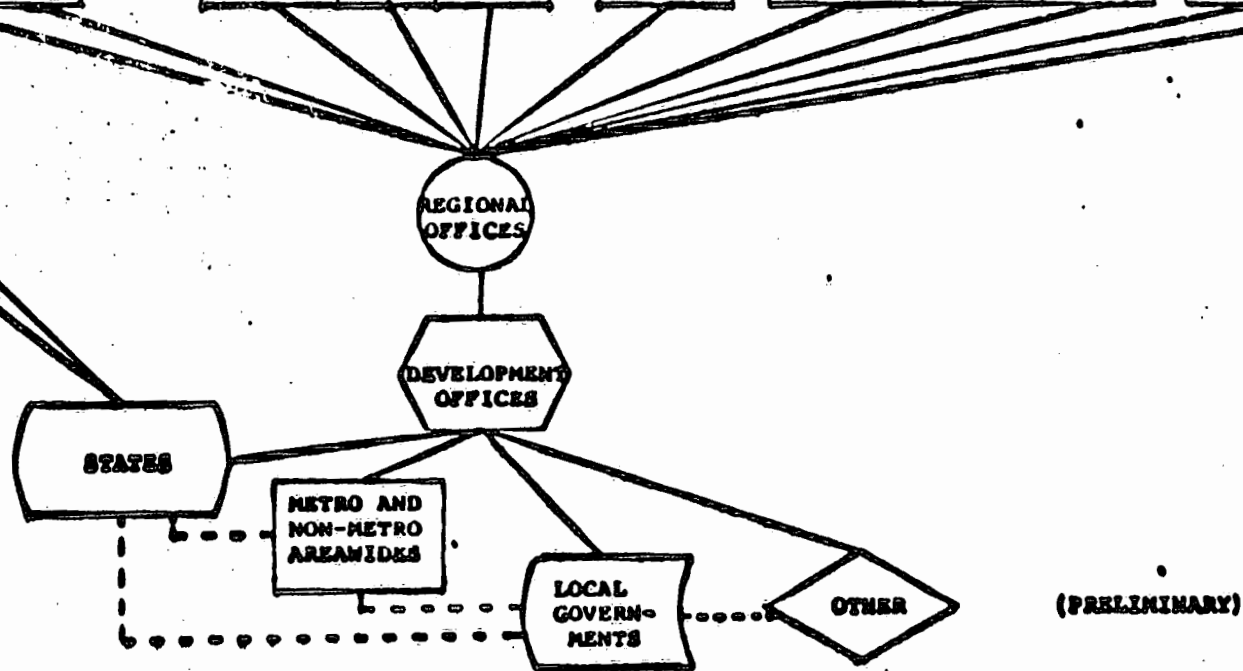


PERMANENT POSITIONS BY SOURCE



DEPARTMENT OF DEVELOPMENT ASSISTANCE

REGIONAL ACTION PLANNING COMMISSIONS (TITLE Va)		ECONOMIC DEVELOPMENT		COMMUNITY DEVELOPMENT			HOUSING	DEMONSTRATION, CONSUMERS NEIGHBORHOODS, VOLUNTEERS			PLANNING	
SUPPLEMENTAL GRANTS	B & D AND LOCAL DEV. DIST.	ECON. DEV. BUSINESS ASSIS- TANCE	ECON. DEV. GRANT	CDBG ENTITLE- MENT	RURAL CD DISCRE- TIONARY GRANTS	COMMUN- ITY DEV. LOANS (RURAL)	HUD HOUSING, 312, AND URBAN HOME- STEADING	NEIGHBOR- HOOD & CONSUMER AFFAIRS	REGULA- TORY AFFAIRS	COMMUN- ITY ECO. DEV. (TITLE VII)	PLANNING ENTITLE- MENT GRANTS	PLANNING DISCRE- TIONARY GRANTS



Assistance. Separate urban and rural pots would be provided. The consolidated program could be introduced as the Administration's EDA reauthorization bill, which comes up this year.

Planning Assistance and Planning Requirements

Replace the seven existing development planning assistance programs with a single program that would fund an integrated development priority-setting process. Existing planning requirements of the programs within the DDA, as well as of some programs left outside it (e.g., transportation, EPA water and sewer, and employment and training) would then be changed to respond to these priorities and to reduce overlapping planning requirements.

Rural Development

Create a unified, flexible and more efficient rural community facilities program by merging four existing programs into two:

- One for rural community development loans (FmHA water and waste disposal and community facilities loans); and
- one for rural community development grants (FmHA water and waste disposal grants, and Community Development Small Cities Grants).

The two programs would be administered by a rural community development unit that would form part of the core of the DDA.

Housing Simplification:

Work with HUD, the Veterans Administration, and FmHA to streamline application forms, appraisal procedures, and related requirements in the housing programs administered by these three agencies.

Labor/Economic Development Links:

Create a system of links between the Federal employment and training programs and Federal development assistance programs.

Advantages and Disadvantages

- Equipping a single Cabinet Department with a critical core of development tools and programs will help upgrade economic development as a focus of Federal policy and improve development partnerships with State and local governments.
- Locating urban and rural development programs in a single department will reduce gaps and inequities and permit the establishment of coherent and balanced Federal development policy while preserving the possibility of variations in urban and rural development programming.
- By providing "one-stop shopping" for a basic core of Federal development assistance, this option will improve program coordination and permit significant program consolidation. It will also improve Federal responsiveness to local strategies.
- This alternative would simplify the Federal planning assistance programs and more closely tie them to development funding decisions.
- By clarifying authorities and responsibilities for Federal development assistance, this option would make Federal development efforts more understandable and accountable.
- Federal-level consolidation will help reduce fragmentation at State and local levels.
- The structural change will permit program reforms to create consolidated development loan and grant programs, simplified planning programs and a streamlined rural community facilities program comparable to the existing urban program.
- While permitting better use of program monies, this proposal will reduce administrative costs at Federal, State and local levels and make better use of scarce Federal and local technical staffs. Federal savings annually will be approximately \$43 million, State and local savings can total approximately 30 percent of the current administrative costs of these programs.

This option will strengthen the analytical foundation for subnational development decisions and create the capacity to anticipate development problems and opportunities in advance.

For the first time an integrated approach will be possible by the Federal Government for "adjustment problems" ranging from base closings to trade adjustment to disaster recovery.

This option will facilitate the use of housing programs as an integral part of development programs.

Disadvantages of the proposal are included in the agency comments.

Option 2: Consolidate Economic Development Programs in Commerce Leaving Community Development in HUD and USDA.

This alternative would make a sharp division between economic development programs and community development and housing programs. It is based on the presumption that economic development and community development are really different and that economic development must be closely associated with the trade, information, and sectoral analysis functions in the Commerce Department. It would group the major economic development programs together in EDA in Commerce, and leave the community development and housing programs in HUD and FmHA.

Organizational Changes

The expanded Department of Commerce and Economic Development would absorb the following Federal program responsibilities:

<u>Current Agency</u>	<u>Programs</u>
Commerce	All programs
HUD	UDAG
Agriculture	FmHA Business and Industry Loans FmHA Industrial Development grants
SBA	501 and 502 programs (loans to State and local development companies)

Within the Department, economic development would remain organizationally separated from the other business assistance, trade, and information functions to preserve its emphasis on job creation in distressed areas. Within the Economic Development Administration there would be an enlarged Development Bank to provide credit assistance to businesses, and a division to provide economic development and public facilities grants to States, communities and other current recipients.

Exhibit IX depicts the transfer of resources and personnel in this option.

- Programmatic Changes

Like Option 1, this option would make possible the consolidation of Federal economic development programs, housing simplification and labor/economic development links, but not rural community facilities consolidation or planning assistance consolidation.

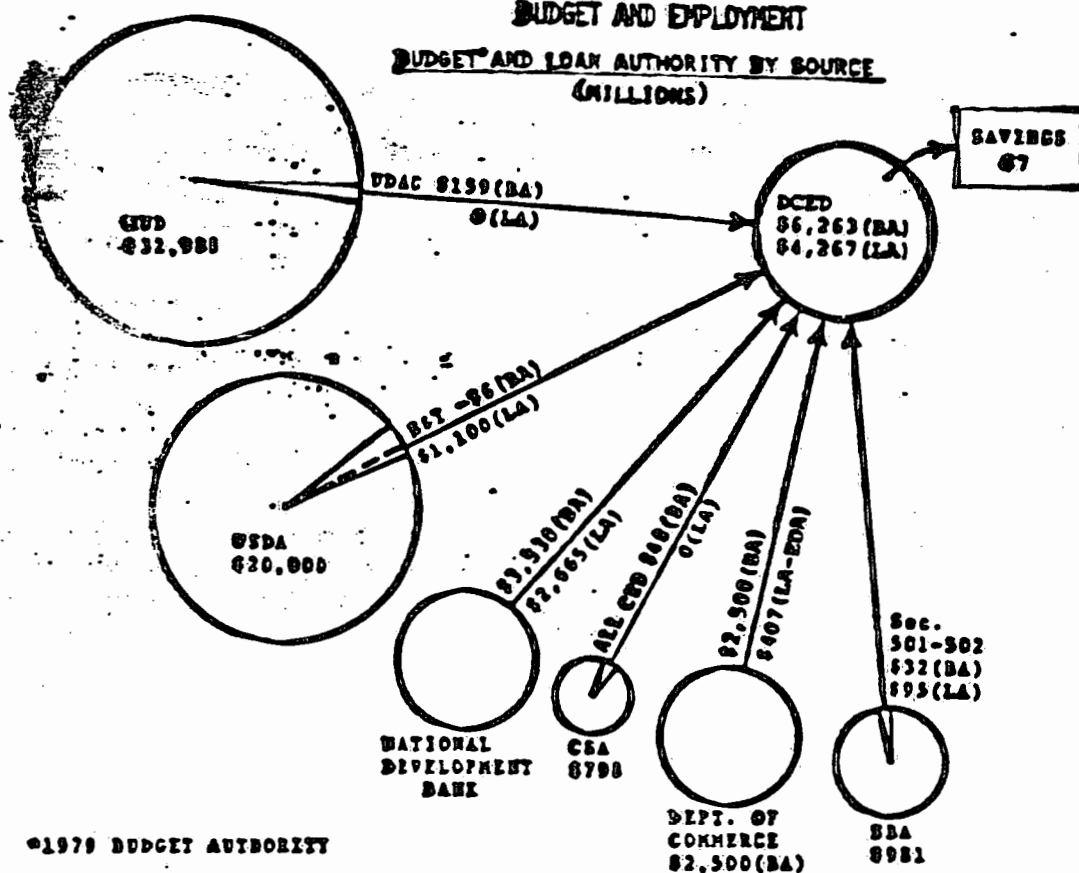
- A limited form of this option would consolidate all these programs except UDAG in Commerce. UDAG will be due for reauthorization in 1980 and a decision on its ultimate placement would be deferred until then. This sub-option would not allow full consolidation of economic development grant programs and would not achieve the benefits of full consolidation of economic development programs. However, it would avoid some of the disruption and cost associated with attempting to move UDAG.

Advantages

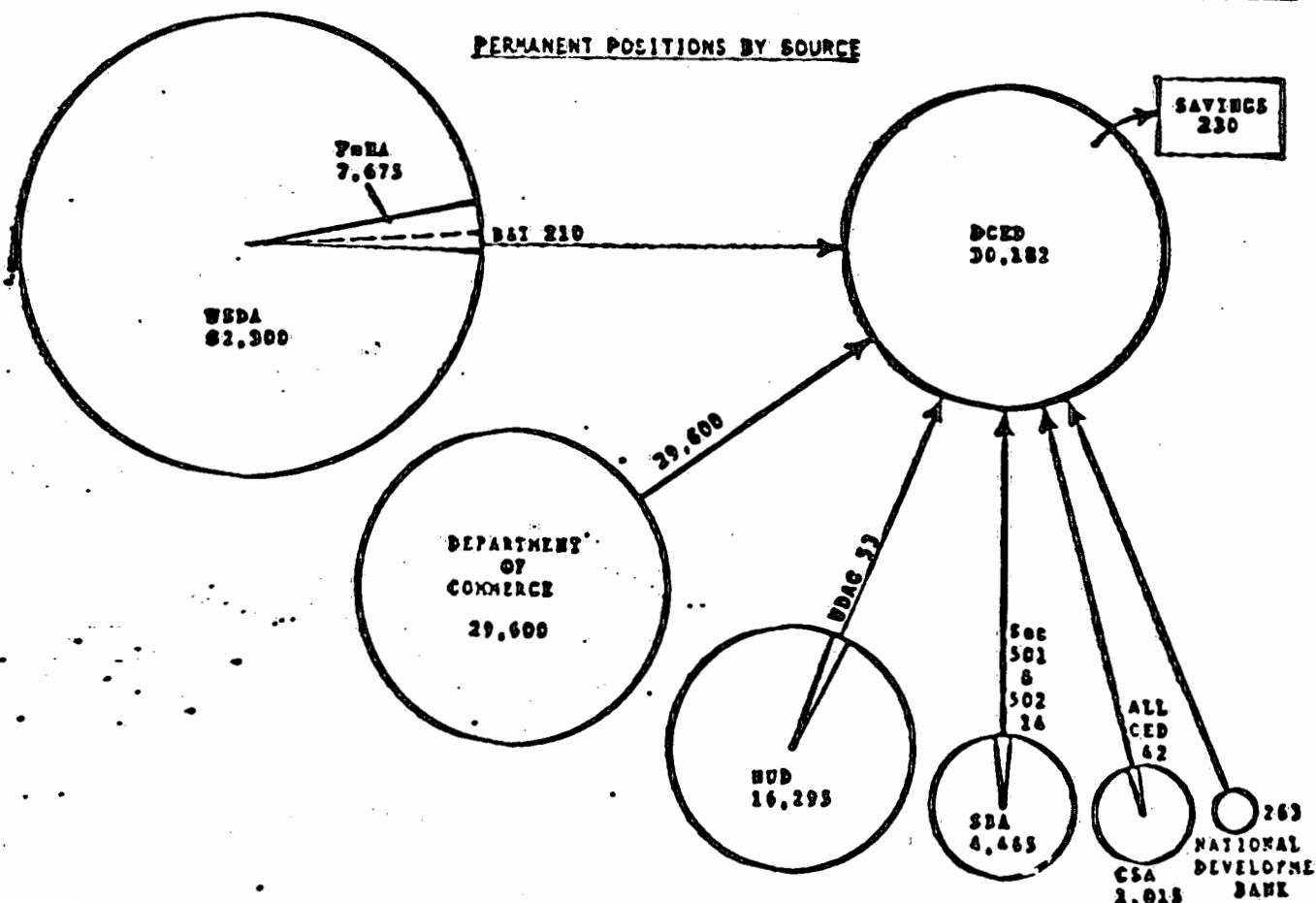
- This option would concentrate economic development program resources at the Federal level, much as Option 1 would. Option 1 would thus permit better evaluation of Federal economic development programs, streamline economic development assistance, and provide a home for the National Development Bank. (It would not, however, include the substantial economic development funds spent under the HUD CDBG program.)
- The Federal Government could save \$7 million by consolidating scarce technical expertise, and standardizing and simplifying economic development program requirements (versus \$4.3 million in Option 1).

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
BUDGET AND EMPLOYMENT

BUDGET AND LOAN AUTHORITY BY SOURCE
(MILLIONS)



PERMANENT POSITIONS BY SOURCE



This option would allow the Administration to build on the pending EDA reauthorization and use it as a vehicle for consolidating economic development programs, as does Option 1.

- Some contend that by separating economic from community development, this option may help to ensure the business focus of economic development programs, although most of EDA's funds now go for community facilities.
- This option also builds on EDA's reputation for responsiveness to Congress.
- Expanding economic development functions in Commerce increases their potential for targeting economic development funds to trade and productivity problems.

Other Alternatives Considered

- (a) Seek procedural change only: Some of the problems with Federal development programs could be relieved through better coordination and detailed procedural changes. In fact, the Interagency Coordinating Council has already made a start in this direction. Even if the reforms proposed above were adopted, this mechanism would still be needed to coordinate the numerous agencies and programs untouched by reorganization.

To rely on procedural coordination alone, however, seems unpromising. A long history of previous efforts to relieve program and organizational fragmentation through procedural change and coordination demonstrates few lasting successes.

- (b) Create separate Departments of Urban and Rural Development: This option would place all community and economic development programs for rural areas in Agriculture and all community and economic development programs for urban areas in HUD. It would appeal to rural groups and achieve some simplification. However, this option would be the most disruptive because it would require that EDA and CDBG each be split in two. It would raise programmatic problems because urban and rural areas are interdependent and because many communities, as their demographics change, would have to shift from one agency to another for funding.

- (c) Create a broader Department of Development Assistance:
 A number of other programs would fit well within the DDA concept and may be candidates for eventual inclusion. Because they are politically unfeasible or because their links to the agencies in which they now reside are too substantial to disturb, we have not included them in Option 1.

- Employment and Training Administration (Labor)

- Highway and Transit Programs (Transportation)

- Wastewater Treatment Construction Grant Program (EPA)

- Veterans Administration Housing Programs

Agency Comments

Commerce opposes DDA and recommends that economic development functions be consolidated in Commerce and that trade functions in Commerce be strengthened. Commerce believes that economic and community development are fundamentally different--that economic development is aimed at stimulating private investment, and community development is aimed at promoting the social welfare of communities and their residents. Commerce strongly feels that the inclusion of the economic development function with housing and community development would make the economic development function impotent--that these funds would quickly be contaminated by community development activities. This is based on the expressed fear that HUD's constituents and "social welfare ethos" would predominate. Commerce also feels that reorganization alone will not achieve administrative and program efficiencies in a new Department and that a new Department would be an awkward amalgam of activities. Commerce feels that sectoral problems are increasingly important and that sectoral analysis, trade, and economic development must be linked organizationally. Commerce argues that EDA is working well at Commerce. They believe that economic development should remain at Commerce and be strengthened by adding the National Development Bank program. They further believe that the EDA reauthorization is a good vehicle to accomplish this end.

Others argue that community and economic development will not necessarily be better integrated because urban community development will still be dispersed by formula while economic development funds are discretionary.

HUD supports the creation of DDA but reserves judgment on the program consolidation recommendations until further information is available. They argue that community development, economic development, and housing must be administered in the same department to make development assistance work and therefore oppose the Commerce-based option because it would split these functions. Recipients often use community and economic development funds for the same purposes and do not distinguish among them in practice. In fact, much economic development assistance goes for community facilities. HUD also opposes the Commerce based option because it would make it more difficult to consolidate planning assistance or rural community facilities. They also believe that the DDA option will provide a necessary critical mass of resources and significantly streamline the process. They also state that HUD's purported shortcomings mentioned in the memorandum are exaggerated and out of date and that many criticisms of HUD are for actions that result from legislative rather than departmental restrictions. HUD argues that FmHA multi-family assistance programs should be included in DDA.

USDA believes that community development, economic development, and housing should be combined, and therefore opposes the Commerce-based option because it would split these functions. Agriculture is particularly concerned that rural assistance be delivered through multi-county district offices of the sort that FmHA is creating and therefore urges that any reorganization plan incorporate these offices.

SBA supports the DDA, seeing little difference between community and economic development. It endorses the proposed shift of its Section 501 and 502 programs. SBA opposes the Commerce based option.

Treasury takes no position on structural change, except to suggest that the National Development Bank need not be separate if reorganization takes place.

CSA supports the DDA concept but believes that its programs should not be included.

Decisions

Do you wish to reorganize development assistance, including both structural and program reforms?

_____ yes, construct a Department of Development Assistance and pursue the associated program reforms.

_____ yes, construct a Department of Commerce and Economic Development and pursue the possible program reforms.

_____ yes, construct a Department of Commerce and Economic Development but do not include UDAG; pursue possible program reforms.

_____ no.

III. Food and Agriculture

Our food system is big, complex, and constantly changing. These changes reflect trends in consumer habits, advancing technology, growing knowledge of the relationships between diet and health, and changing world economic conditions. By historical standards, the food system has performed well. But new problems and new standards for evaluating the system are emerging. We now expect the food system to help meet national health goals, aid in

world diplomacy, contribute to wise resource use, and help meet other domestic and international needs.

The conflicts in the food system are many; farm prices versus retail prices, processing costs versus food safety, product promotion versus nutrition information, and food aid and foreign trade versus domestic supplies and costs. Each of these conflicts must be dealt with in forging a food policy.

Nutrition research, education, and surveillance are scattered throughout USDA and HEW and other Federal organizations. There is currently no place within the Federal Government where these important nutrition activities are integrated to develop more consistent and effective Federal programs. As a result, we have a weak policy (some would say no policy at all) and even minor program controversies sometimes rise to the White House for resolution. The Federal nutrition effort has been criticized as follows:

- It is unresponsive to consumer concerns and long-term public needs.
- It has low status and visibility in the Federal Government.
- It has limited accountability in terms of technical accuracy and measures of effectiveness.
- There is poor coordination among organizations conducting nutrition-related activities.

Enhancing consumer and nutrition functions in a separate and clearly identifiable unit in a Department of Food and Agriculture has the following advantages:

- Permit conflicts between food and nutrition policy and commercial agriculture (over food safety, price, labelling, chemical additives, etc.) to be worked out within a department.
- Provide a close relationship between nutrition research and farm production decisions.
- Give the Secretary of USDA greater balance among his production and consumer constituency groups.
- Provide a strong Cabinet voice for a national food and nutrition policy.

We recommend the following organizational and process changes to improve the management and focus of domestic and international food and nutrition policy:

(1) Designate the Department of Agriculture as the lead agency responsible for developing a national food and nutrition policy.

(2) Direct the Secretary of Agriculture to work with OMB and DPS in developing administrative and legislative proposals to give greater emphasis to nutrition policy in USDA. Among the changes to be considered are:

- Change the name of USDA to the Department of Food and Agriculture to symbolize the Department's broader mission.
- Organize the Department internally as follows:
 - Create two Deputy Secretaries -- one representing agricultural, trade and marketing interests, one representing consumer and nutrition interests.

- Internally segregate consumer-oriented programs for traditional agricultural "promotion" programs.

Consideration of proposals for consolidating authorities for promotion of agricultural trade with authorities for control and development of agricultural production

We expect these activities, if approved, to produce administrative and possible legislative proposals for consideration later this year.

Agency Comments

Agriculture believes that these proposals need further development. They suggest more attention to consolidating authorities for promotion of trade in agricultural products and to improving delivery of nutrition assistance and agricultural development aid to other nations. Agriculture believes that more complete consolidation of food production and safety functions will be required in the long term but does not recommend consolidation of all food safety programs at this time.

Decisions

- (1) Designate USDA as the lead agency for nutrition policy

Yes _____ No _____

- (2) Direct the Secretary of Agriculture to work with OMB and DPS to develop proposals to enhance information policy in USDA.

Yes _____ No _____

IV. Department of Commerce

Our study of economic policymaking in the Executive Branch has pinpointed critical deficiencies in our ability to effectively promote trade and to perform quality micro-economic (sectoral) analysis. In both areas, program fragmentation is a major cause of the problem. There has also been widespread comment that the disparate and unrelated activities of the Commerce Department today hinder its effectiveness because of a lack of organizational focus.

The case for improving economic policymaking capacities must be examined in the context of the other reorganization options discussed earlier. The effect of establishing the Departments of Natural Resources and Development Assistance, is to remove about half the Department of Commerce staff and budget. Our natural resources, local development, and economic policymaking studies converge to require a careful reexamination of the future of the Department of Commerce.

We have completed sufficient analysis to identify several credible Commerce Department options. Each has pros and cons--substantive and political. None, however, has been sufficiently explored within the Executive Branch or with Congress and interest groups to warrant a recommendation now.

We recommend that OMB and an interagency group explore options to improve the organization of trade and commerce. Recommendations should be developed to be incorporated in implementing the Multi-National Trade agreements.

V. Implementation and Next Steps

A. Using Reorganization Authority

As you know, reorganization authority cannot be used to abolish a Department or all its functions. It can, however, transfer parts of Departments and can be used to rename departments.

1. Because reorganization authority is a much quicker and easier way to accomplish our objectives, we want to do as much as possible by plan. Two plans should be enough to implement the structural changes in the natural resources and development assistance options. If you choose to implement the Development Assistance program reform, follow up legislation will be required.

B. Timing and Announcement

If you choose to attempt substantial reorganization, this project merits a State of the Union announcement for two reasons:

- (1) It should have broad popular appeal and fit well with the economy/anti-inflation themes planned for your address.
- (2) Including the proposal will signal that you regard it as a high priority that you and your White House staff will work to pass.

Decision

Work toward a State of the Union announcement.

☐

Yes

☐

No

ADMINISTRATIVELY CONFIDENTIAL



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

20 27 150

MEMORANDUM FOR THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF DEFENSE
THE SECRETARY OF ENERGY
THE SECRETARY OF THE ARMY
THE SECRETARY OF HEALTH, EDUCATION
AND WELFARE
THE SECRETARY OF HOUSING AND URBAN
DEVELOPMENT
THE SECRETARY OF INTERIOR
THE ATTORNEY GENERAL
THE SECRETARY OF LABOR
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF TRANSPORTATION
THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
THE ADMINISTRATOR OF VETERANS AFFAIRS
THE ADMINISTRATOR OF THE ENVIRONMENTAL
PROTECTION AGENCY
THE DIRECTOR OF THE COMMUNITY SERVICES
ADMINISTRATION
THE ADMINISTRATOR OF THE SMALL BUSINESS
ADMINISTRATION
THE CHAIRMAN OF THE WATER RESOURCES COUNCIL
THE CHAIRMAN OF THE INTERNATIONAL
TRADE COMMISSION
THE PRESIDENT OF THE EXPORT-IMPORT BANK
THE CHAIRMAN OF THE COUNCIL ON
ENVIRONMENTAL QUALITY

FROM:

James T. McIntyre, Jr. *Jim*

The attached information memorandum describes the options under consideration for the reorganization agenda in 1979. I expect to send the President a decision memorandum on reorganization early next year. The decision memorandum will be built upon this memorandum. Would you please send me your comments and observations by January 2, 1979, so I may incorporate the substance of them in a draft decision memorandum.

Attachment

ADMINISTRATIVELY CONFIDENTIAL



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

INFORMATION MEMORANDUM FOR THE CABINET

FROM: Jim McIntyre *[Signature]*

SUBJECT: Reorganization 1979

This memorandum presents the results of our analysis of the major items on the 1979 reorganization agenda awaiting approval.* Four principal projects are described: natural resources, development assistance, commerce and trade, and food and nutrition. This is not a decision memorandum. It is for information only. It provides important background for a decision memorandum to follow next month. We are requesting Cabinet comments now.

The four areas of government under consideration were chosen with the goal of bringing about visible achievements in government performance and efficiency: more service from the same dollars, reduction in personnel and administrative costs, consolidation and simplification of programs, less overlap and duplication. Together with civil service reform, the Department of Energy, and the pending Department of Education, the initiatives described below would give us a reorganization record affecting most of the domestic Cabinet by 1980:

- (1) Natural Resources. The excessive number of Federal natural resources agencies doing much the same thing makes it confusing for citizens to know where to go, costly for businesses delayed by complex permitting requirements, and complicated for the government to develop and implement coherent policy for balancing conservation and development objectives. The natural resources proposal would simplify this structure and help to solve these problems as well as save money for the government and the private sector.
- (2) Development Assistance. The complexity, paperwork and delay in delivering development grants and services to local officials has long been a complaint of mayors, governors, and businessmen. Federal investment in

* Preparations are underway for education reorganization, which the President has already approved.

development programs cannot now be focussed for optimal payoff. Private sector partners often cannot afford to wait months for Federal action. By consolidating programs in this area, we can begin to address these concerns as well as save administrative costs for Federal, State and local governments.

- (3) Food and Nutrition. Although food and nutrition issues are an increasingly important Federal responsibility, no agency is primarily responsible for them. By building Agriculture into a Department of Food and Agriculture, we can move toward a modern agency with responsibility for food from producer to consumer, relate nutrition research to decisions about what crops farmers grow, and broaden the Department of Agriculture's constituency.
- (4) Trade and Commerce. We are not yet prepared to make a recommendation regarding the mission of the Commerce Department. However, our analysis has indicated important deficiencies in the Federal Government's capacities to formulate and implement trade policy and to conduct economic analysis. A major cause of these deficiencies is program fragmentation. We will be able to present carefully analyzed and politically tested Commerce Department options shortly.

In short, these options are designed to modernize the structure of government by focussing resources on today's problems, streamlining government processes, and saving money for the public and private sector.

The remainder of this memorandum discusses each set of options in detail. Parts I-IV offer options in specific subject areas.

I. Natural Resources

A. The Problem

Managing the Nation's natural resources -- land, air, water, oceans, wildlife -- is a substantial Federal responsibility. But organizational fragmentation and overlap make it difficult to do a good job. Exhibits I and II summarize natural resources programs and the current jurisdictional fragmentation of resource programs. This program dispersion creates real problems.

- No one official, short of the President, can take the overview of resource matters; set policies and priorities or make decisions with a perspective balanced between conservation and development.

No one addresses natural resources comprehensively, even though extensive interactions in the physical world exist.

Even when policy is developed, often no one has clear authority to carry it out. For example, the Secretary of Interior has been assigned to implement water policy

NATURAL RESOURCES PROGRAMS

EXHIBIT I

Department or Agency	Bureau	Clients	Budget (M)	Personnel	Mission
Interior	Bureau of Land Management	Ranchers, miners, oilmen, recreationists	850.9	5,762	Manages 470M acres of publicly owned lands. Manages oil and gas leasing on the Outer Continental Shelf.
	Bureau of Mines	Mines, mineral industry, government agencies	146.1	2,500	Research on mining and metallurgy technology. Compiles mineral resources inventories and assessments.
	Bureau of Reclamation	Farmers, ranchers, private citizens	596	7,345	Plans, constructs and operates water development projects in 17 Western States, primarily for irrigation & hydropower.
	Fish & Wildlife Service	Public-at-large, hunters, fishermen, conservationists	435.5	5,215	Manages 30M acres of wildlife refuges. Conducts research on fish and wildlife. Protects endangered species. Operates fish hatcheries.
	Geological Survey	Government agencies, State geologists, foreign gov'ts, planners, recreation	640.1	9,552	Performs surveys and research on mineral and water resources, topography, geology. Prepares maps and charts.
	Heritage Conservation & Recreation Service	Public-at-large	842.2	580	Administers Land and Water Conservation Fund. Administers nationwide recreation planning and historic preservation programs.
	Nat'l Park Serv.	Compens. public-at-large	520.7	9,142	Manages 30M acres of National Parks.
	Office of Minerals Policy & Research Analysis	Government agencies	1.5	27	Performs mineral policy analysis.
	Office of Surface Mining	Mining industry, farmers, landowners	115.4	924	Regulates surface coal mining.
	Office of Water Research & Technology	Government agencies, universities	28.4	75	Administers water resources research contracts. Provides grants to universities for research.
	Office of Territorial Affairs	Citizens of territories	119.2	182	Responsible for Guam, American Samoa, the Virgin Islands and the Trust Territories of the Pacific.
	Bureau of Indian Affairs	Indians, mineral industry	1,399	12,777	Trustee for Indian lands and monies. Provides social services.
Agriculture	Forest Service	Foresters, timber industry, recreation	1,824	21,325	Manages 187M acres of Nat'l Forest lands. Provides assistance to State and private forestry program. Conducts forest and range research.
	Soil Conservation Service (partial)	Farmers, ranchers, landowners, planners	298.3	4,419	Plans and finances water resource projects in small watersheds, primarily for flood control & drainage. Conducts surveys of soil conditions & prepares maps. Measures snowpack & forecasts water supplies in the West.
Army	Corps of Engineers (civil)	State and local gov't, farmers, ranchers, boaters, inland shipping interests	2,623	29,000	Plans, constructs & operates water development projects, primarily for navigation and flood control. Regulates disposal of dredged or fill material in inland waters; regulates hazards to navigation. Regulates ocean dumping of dredged material.
Commerce	Nat'l Oceanic & Atmospheric Administration	State governments, airline and marine industry, public-at-large	777	12,530	Manages ocean fishing resources; administers State coastal zone management planning programs; protects marine mammals and endangered species; conducts research and assessments of the marine environment; monitors and predicts weather and climate; conducts research on meteorology and climate; and prepares marine charts and aviation maps.
Water Resources Council		Government agencies, State & local planners	60	105	Develops Federal water policy; administers State & river basin comprehensive water planning programs; establishes guidelines for water project planning; & conducts independent reviews of project plans.

NATURAL RESOURCES ACTIVITIES

Agency	Water Resources	Land Resources	Oceans	Atmospheric Resources	Research, Science & Data Collection
Irrigation	Plans, constructs, and operates large multiple-purpose water projects, primarily for hydropower and irrigation. Manages freshwater fish hatcheries. Manages Wild and Scenic River System.	Manages 470 N acres of publicly owned land for multiple purposes, including grazing, timber, minerals, recreation, and wildlife habitat. Manages 60 N acres of publicly owned land for special purposes such as National Parks and Wildlife Refuges. Conducts recreation planning and historic preservation programs. Administers Land and Water Conservation Fund. Regulates surface coal mining. Regulates and protects endangered and threatened species of plants and wildlife.	Manages oil and gas leasing on the Outer Continental Shelf which involves support research in marine science and environmental baseline studies. Jurisdictional disputes ongoing with NOAA over future management of seabed minerals. Manages a series of fish hatcheries for anadromous fish.	Conducts a program of weather modification to increase water supplies in the West.	Performs surveys and assessments of mineral resources, including geologic investigations, geophysical surveys, and satellite observations. Conducts broad-based program of water resources research, fish and wildlife research, ecological research, and mining and minerals research, development and demonstrations. Conducts nationwide program of surface and ground water resources monitoring, including water quality. Prepares maps and charts.
Forest Service		Manages 167N acres of National Forests for multiple purposes, including timber, grazing, minerals, recreation and wildlife habitat. Provides technical and financial assistance to State forestry programs.			Conducts forest and range research for Federal agencies. Prepares an annual renewable resources assessment.
Soil Conservation Service (small watershed and soil survey)	Plans and finances multiple-purpose water projects in small watersheds, primarily for flood control and drainage.				Prepares certain land and soil maps. Conducts nationwide surveys of soil conditions and their possible uses; conducts an interagency program of snowpack measurements and water forecasts in Western States.
National Oceanographic and Atmospheric Administration			Administers marine fisheries programs, including research and development programs; protects marine mammals and endangered species; conducts oceanographic data collection and research; administers State coastal zone management planning programs.	Monitors weather and climate and prepares forecasts; issues storm warnings and organizes community preparedness; conducts research on meteorology and weather modification; operates weather and research satellites.	Conducts interagency program of climate research; manages oceanographic and marine sciences programs; administers grants to universities for basic research in marine sciences. Manages production and distribution of marine charts and aviation maps and approach plates.
Corps of Engineers	Plans, constructs and operates multiple-purpose water projects, primarily for flood control and navigation. Regulates disposal of dredge and fill material in inland waters and wetlands and hazards to navigation.	Manages 8 million acres of reservoir lands for multiple uses, with large recreation attendance.	Regulates ocean dumping of dredged materials under EPA guidelines and veto power.		Conducts hydrologic investigations and collects water resource data. Manages engineering research in support of new construction techniques. Conducts recreation and environmental studies.
Water Resources Council	Develops water resources policy. Manages comprehensive river basin and State water resources planning. Establishes guidelines for planning of water projects. Conducts an independent review of project plans.				

reforms, but he has no authority for Corps project planning.

Relating natural resource programs to other areas, such as international relations, energy and environmental protection, is difficult.

Numerous confusing field systems make it difficult to coordinate policy decisions with State and local governments, respond to regional differences, and provide efficient service delivery.

Responsibilities for each resource area (land, oceans and water) are badly fragmented. For example, water resources policy planning and construction responsibilities are assigned to three operating agencies and the Water Resources Council.

Today's problems will intensify in the future with increasing population, economic growth, and greater demand for outdoor recreation.

- Unclear assignment of responsibilities leads to inter-agency competition, duplication of skills, and failure to take advantage of economies of scale.

Interior and NOAA have several areas of contested jurisdiction and overlap, including hydrology, marine biology, mapping and charting, and deep sea mining. Despite numerous coordinating committees, the problems remain. In a recent case, the two agencies spent over \$1 million determining who has jurisdiction over the sea turtle, an amphibious endangered species.

Interior and the Forest Service manage public land for the same multiple purposes. Yet each has its own experts, investment levels, field structure, and systems for dealing with the public, including timber, cattle and recreation industries.

The three water development agencies independently pursue their own project planning studies to support their own construction program levels. This causes unnecessary expense, poorly conceived projects, and extra pressure from hopeful beneficiaries.

All the natural resource agencies have research and data programs but there is no central clearinghouse, making it difficult for agencies and the public to take advantage of each other's knowledge.

- Inconsistent regulations and procedures make it difficult, time-consuming, costly, and confusing for natural resources users.

Recreation services are provided by several agencies. Different priorities in funding levels result in some oversized and overstaffed facilities while others are neglected.

Interior and the Forest Service, both managing similar public lands, have different regulations for permits, fees, accounting methods, recreational usage and environmental regulation. This situation is particularly troublesome when the two agencies have adjacent or intermingled land, and users seek permits for grazing, access roads or other uses that cross jurisdictions.

Responsibility for management of the Outer Continental Shelf is vested in Interior. NOAA has most other ocean-related responsibilities and expertise, such as oceanography, fishery regulation and coastal zone planning. This division of closely related programs causes duplication, confusion for developers and environmental groups, and fails to take full advantage of complementary skills.

B. Principal Alternative: Department of Natural Resources (DN

Built on a reorganized Interior, a DNR would incorporate the Forest Service, NOAA, the Water Resources Council, and the water planning functions of the Soil Conservation Service and the Corps of Engineers. Once consolidated in a single department, these programs would be realigned into major program components as follows:

- NOAA (Commerce) and Outer Continental Shelf (Interior):
In the new Department, a major component including NOAA and the oceanic programs of Interior would be created, giving the functions high priority.

- Forest Service (Agriculture) and Bureau of Land Management (Interior): The experience and professional staff of the Forest Service make it the premier multiple use land planning and research agency in the Federal Government. Within the new Department, the Forest Service would provide the base for this component and, over time, would absorb the Bureau of Land Management.
- Geological Survey (Interior) and Soil and Snow Surveys (Agriculture): Most of the resource agencies gather information and do research. Their data and research findings are often in different formats and difficult for States and other agencies to use. By locating these support programs in a sciences component of DNR, they can be made more useful.
- National Park Service, Fish and Wildlife Service, Heritage Conservation and Recreation Service (Interior): Within DNR, the National Park Service, Fish and Wildlife Service, and Heritage Conservation Service would be grouped.
- Water Resources Council, parts of the Corps of Engineers (Defense), Soil Conservation Service (Agriculture), and Bureau of Reclamation (Interior): Water resources problems are being addressed by the water policy reforms. However, these policy directives can be more effectively and permanently implemented with accompanying organization improvements.

To accomplish this we could transfer to and consolidate in DNR the Water Resources Council and the policy, planning and budgeting functions of the three water development agencies. Detailed project design and construction functions of the Bureau of Reclamation and Soil Conservation Service would be transferred to and consolidated in the Corps, which would become the government's water project construction arm.

The DNR would plan and budget for all water development activities, and the Corps would act as construction agent under strong policy and review controls. The Corps would have an increased design and construction capability to undertake assignments for other agencies. Separating project planning from construction would

remove the incentive to generate plans to support a construction program. Although some inefficiencies may result from separating planning and construction functions, there would be net personnel cost savings of \$38 million annually. About 3,000 planners would transfer from the Corps to DNR and about 8,700 Reclamation and Soil Conservation construction personnel would transfer to the Corps.

We evaluated other options for handling water resources. For example, consolidating in DNR all the functions of the Corps' civil works, Bureau of Reclamation, Soil Conservation Small Watersheds, and Water Resources Council would provide stronger executive direction and greater savings. However, this option would impair the Corps' military construction and mobilization capability and its ability to take on alternate missions.

A third option is to strengthen the Water Resources Council by providing an independent and full-time chairman and designating it as lead agency for water policy. Reclamation functions would be transferred to the DNR along with the rest of Interior, while the Corps' civil works and Soil Conservation Service watershed programs would remain in Army and Agriculture, respectively. The strengthened Water Resources Council would provide policy leadership, independent review of projects, coordination with States, and advice to OMB on budget proposals -- particularly new planning and construction starts. This option creates a minimal organizational change and offers some improved management of water resources programs. In the past, however, interagency coordinating groups have not been strong enough.

Exhibit III graphically depicts the resource and manpower transfers for a Department of Natural Resources.

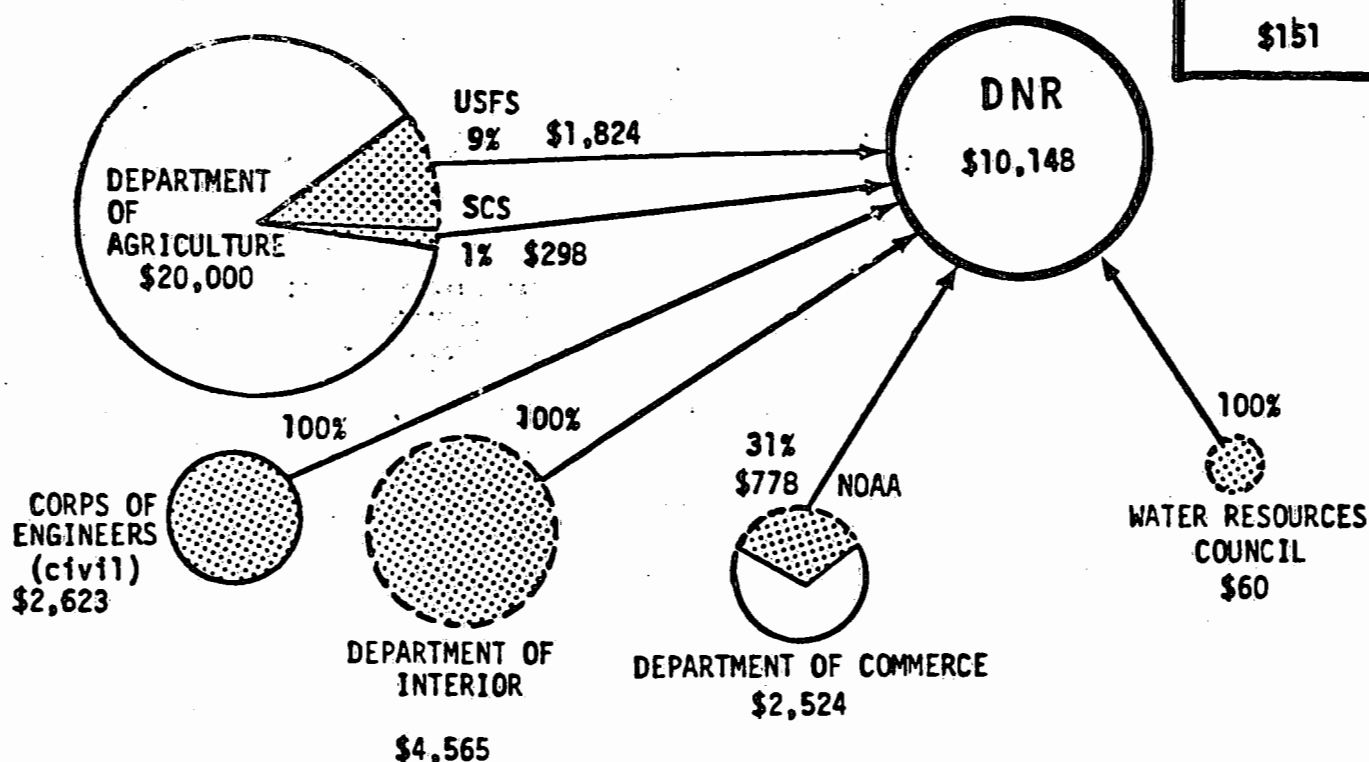
Advantages and Disadvantages

- The functions can be performed at the same levels with an estimated savings of \$151 million and 3,700 positions (obtained over several years). These savings result from:
 - merging similar functions, streamlining internal organization, unifying field systems, and improving service delivery; and

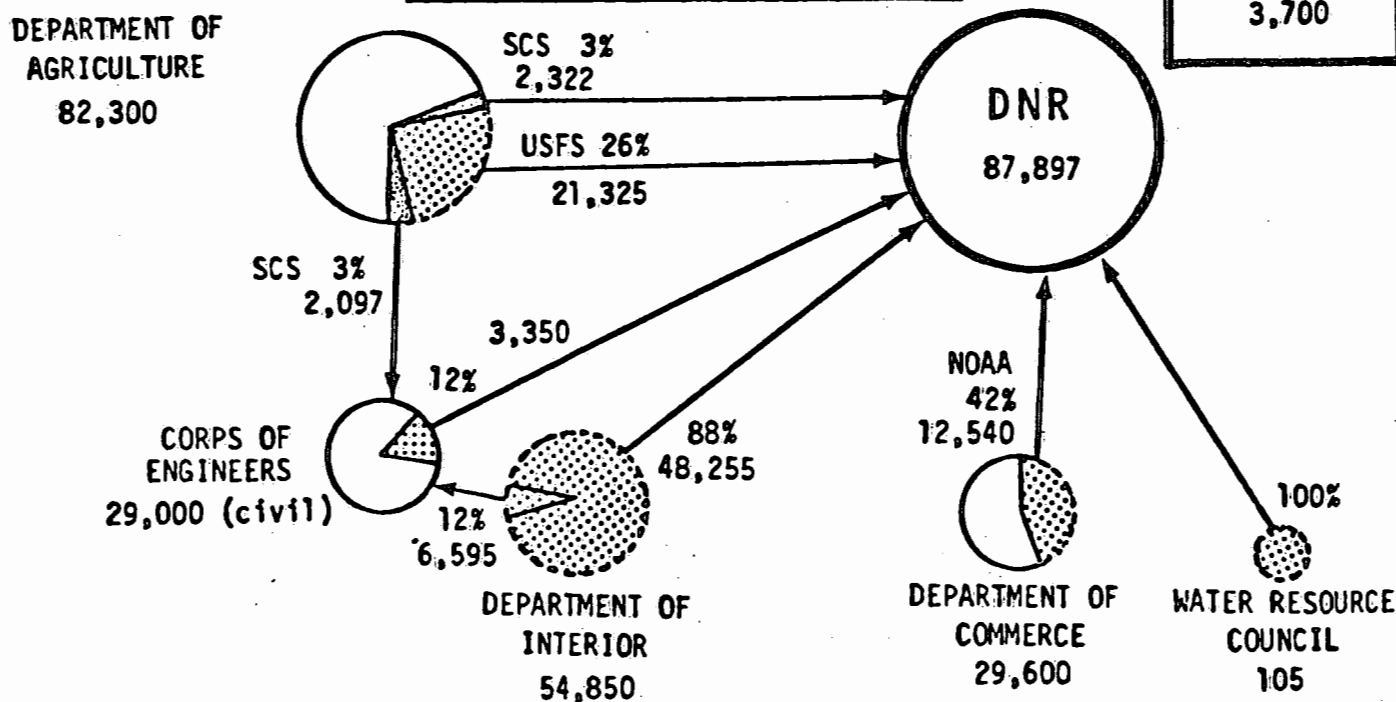
DEPARTMENT OF NATURAL RESOURCES

BUDGET AUTHORITY BY SOURCE

(Millions)

SAVINGS
\$151

PERMANENT POSITIONS BY SOURCE

SAVINGS
3,700

-- abolishing or curtailing unnecessary programs, such as portions of Bureau of Mines metallurgical research programs.

- Services will be delivered faster and better. Commercial firms interested in oil and gas leasing on the Outer Continental Shelf or public lands will benefit from a unified regulatory structure and faster decisionmaking process. Recreation users will have easier access to information and special interpretive services. Grazing, timbering, tourism, and fishery interests, permit seekers, and State and local governments will have a simpler relationship with the Federal Government, dealing with only one agency, rather than two or more. Environmentalists and conservationists will have easier access to Federal policymaking as well. Faster rulemaking and consistent regulations for marine mammals and endangered species will benefit both conservation and commercial interests. Simplification and consolidation of fish and wildlife project review and dredging permit review will speed the regulatory process. Better coordinated data collection and consolidated mapping and charting services will make better data available to public and commercial users at lower cost.
- A uniform data collection system and exchange of research results will provide a better basis for informed decisionmaking.
- Policy and case decisions will be balanced better in an institution having an overview of all resource areas and a broad constituency spanning both development and preservation perspectives.
- But: Some argue that separating the Forest Service from Agriculture breaks the links between the two agencies. The Forest Service provides services to farmers who grow trees. The Forest Service has been an effective agency in Agriculture.
- But: Some argue that NOAA's fisheries programs are as much an economic development and food related function as they are a natural resource function, that NOAA's programs have been working well at Commerce and that removing them would take 45 percent of Commerce's personnel, which would diminish the importance of the Department.

- But: Separating water resource planning from construction functions means that the planners may be out of touch with the construction personnel and the Corps eventually may redevelop a planning capacity.
- But: Reorganization always causes short term disruption and cost.

C. Other Alternatives Considered

(a) Department of Agriculture and Renewable Resources --

This option would consolidate USDA's land and water functions, primarily the Forest Service and Soil Conservation Service, with public land management, water resources, and ocean fisheries from other Departments.

Advantages and Disadvantages

- Consolidating in Agriculture would appear to give a greater production emphasis to resource management. For example, development, marketing and use of fish as a food source would become a primary focus of the ocean fisheries program.
- Merging the Bureau of Land Management and the Forest Service would solve the problems associated with having two separate land management agencies and build on the Forest Service, the stronger of the two units. Agriculture has experience both in managing public lands and assisting private owners with private land management. Interior has experience with public land only.
- But: Public lands are managed for many uses other than the production of food and fiber emphasized by Agriculture. Federal responsibility for those other uses such as recreation, mineral development and management of fish and wildlife, would remain in Interior and continue the fragmentation in these areas.

• But: Management of federally-owned lands would remain fragmented since park lands and wildlife refuges would still be managed by Interior.

(b) Improved Coordination Without Major Realignment --

Retain the existing structure and establish a Natural Resources Council, or individual councils for land, water, and oceans to develop policy and coordinate actions. This option would avoid disruption but would create additional layers of government, especially in the Executive Office. Accountability would be confused and previous results with this type of approach have been poor. This approach could not be presented as a bold solution to chronic problems.

(c) Department of Natural Resources and Environment --

This option would join most natural resource management programs, plus environmental regulatory programs of the Environmental Protection Agency (EPA). This is not a feasible solution because EPA's jurisdiction goes well beyond resource management to include regulation of many other areas, such as urban and industrial wastes. EPA is increasingly oriented toward public health. There is strong interest group and general public support for keeping EPA independent.

(d) Department of Oceans and Atmosphere --

A Department of Oceans and Atmosphere would be responsible for oceans, coastal and atmospheric affairs and would consolidate the bulk of the programs associated with those activities (except for military programs). The Department would include the National Oceanic and Atmospheric Administration (NOAA) and the Maritime Administration from Commerce and the U.S. Coast Guard from Transportation.

The option would recognize the growing importance of the oceans and ocean resources to the Nation. It would also improve coordination among Federal activities relating to the oceans.

However, the Department addresses only a part of the total natural resource issue and would leave other fragmented resource areas unaddressed.

II. Development Assistance

A. The Problem

In the Urban Message and elsewhere, we called for a long-term development strategy to address the problems of local communities, such as loss of jobs, loss of tax revenue base, sub-standard housing, deteriorating community facilities and under-employment. But the organization of Federal development programs makes it difficult to pursue such a strategy.

- Programs and resources are severely fragmented.
(Exhibit IV explains the programs involved and Exhibit V depicts the current fragmentation. Exhibit VI depicts the confusing relationships between Federal, State and local organizations.)

Economic development assistance is splintered among ten programs in five different agencies (Economic Development Administration (EDA); Department of Housing and Urban Development (HUD); Farmer's Home Administration (FmHA); Small Business Administration (SBA); and Community Services Administration (CSA)). The proposed National Development Bank would create a sixth.

General community facilities assistance is scattered among 4 agencies (HUD, FmHA, EDA and EPA) and the Title V Regional Commissions.

Nine programs in three agencies (HUD, EDA and FmHA) and the Title V Regional Commissions provide funds for development planning.

COMMUNITY AND ECONOMIC DEVELOPMENT PROGRAMS

Department or Agency	Program	Client	1979 Budget	1979	1979 ^{1/}	Mission
			Authority Enacted (Millions)	Loan Authority (Millions)		
HHD	UDAG	All communities meeting "distress" criteria	\$ 400		78	Fosters economic development in distressed cities and urban counties.
	CDBG Entitlement	States, communities, local public bodies	2,652		709	Promotes development of viable communities.
	CDBG small cities		657			
	701 Planning & Research	States, area wide planning agencies	111		270	Strengthens planning capabilities for community and economic development.
Commerces*	Housing	Private developers, local housing authorities, individuals	26,859		8660	Promotes decent housing and a suitable living environment.
	EDA I, III, IV, and IX	States, counties, communities, meeting "distress" criteria	396		756	Assists distressed areas in increasing or retaining private sector job opportunities.
	EDA Title II	Business in "distress" areas	96.5	289	63	Encourages or maintains private sector job opportunities in distressed areas.
	EDA Trade Adjustment Asst.	Bus. injured by import competition	95	210	11	Allows firms to adjust to import competition.
	Title V Commissions	States in Title V Regions	63		81	Promotes economic development of "lagging" regions.
Agriculture	FmHA (Com. Facilities & Waste Disposal)	States, political subdivisions which serve rural areas	637.9 ^{2/}	1,150	435	Promotes development of viable rural communities.
	FmHA (Bus. & Industrial Loans)	Business in rural areas		1,100	210	Facilitates development of private business to improve the economy of rural communities.
	FmHA (Indust. Dev. Accounts)	Public bodies in rural communities	10			Facilitates development of private business to improve the economy of rural communities.
National Development Bank		Local development authorities (for businesses) in distressed areas	3,530**	2,665**	232**	Encourages and assists the retention and development of permanent private sector job opportunities and private sector investment in distressed areas.
SBA	Sec. 501, 502	State and local development corporations	32	95	14	Encourages economic growth and prosperity in States and communities.
CSA	Community Economic Development	Community Development Corporations	48		42	Encourages development in urban and rural low income areas.

*Excludes Steel Loan Guarantee Program, funded with carry-over funds of \$96M.

**Proposed for 1980.

^{1/} FFT personnel except FmHA which represents man-year equivalent of staff time.
^{2/} BA for grants and loans.

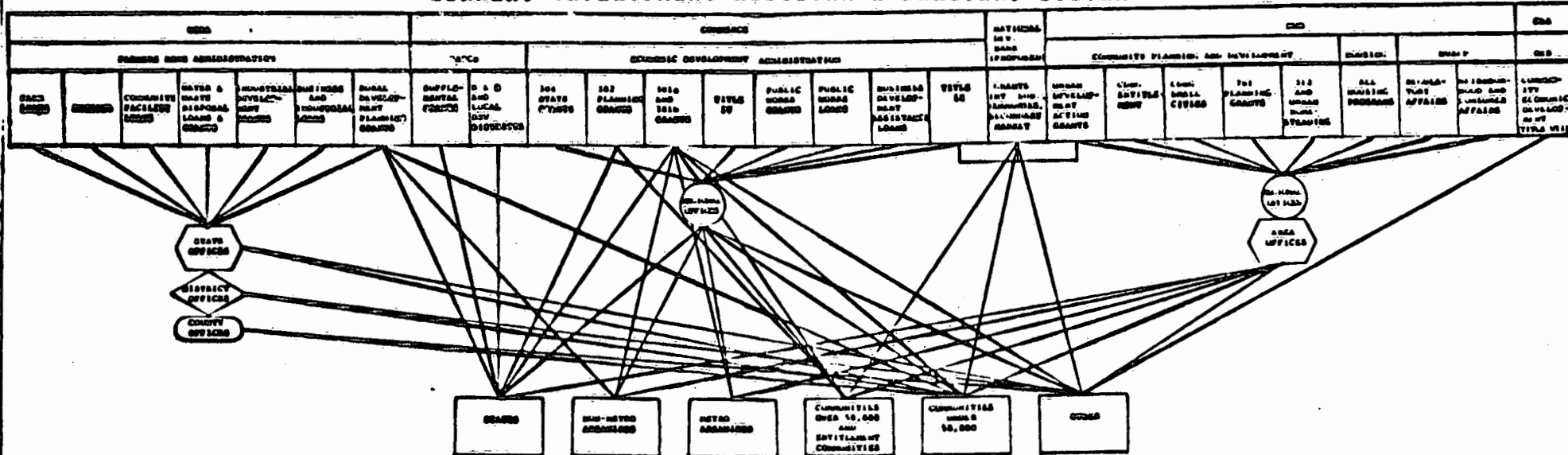
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FEDERAL ASSISTANCE FOR ECONOMIC AND COMMUNITY DEVELOPMENT

Agency	Planning Assistance	Economic Development		Technical Assistance	Community Development
		Economic Development Loans	Economic Development Grants		
EDA	Provides grants to develop the comprehensive planning capabilities of State, and local governments, multi-county development districts, and EPA designated small geographic areas.	Provides business loans and guarantees to firms that can demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment.	Provides grants for public works activities, involving local loan funds and operation of a variety of local, area state and multi-state economic development projects.	Provides direct Technical Assistance and grants to a diverse group of State, local public and private institutions, universities, firms, and professional associations.	Provides community development public works grants and loans, planning assistance, and technical assistance.
ESD	Provides grants to develop the comprehensive planning capabilities of State and local governments, and multi-county area planning areas.	None	Provide grants for business-related public works activities and the operation of a variety of local, state and multi-state economic development projects via UMIA and CMIA.	Provides direct Technical Assistance and grants to a diverse group of State, local public and private institutions, universities, firms, and professional associations.	Provides community development funds for public works planning assistance, technical assistance and operational funds.
ESA (Only Sections 501 & 502 Industrial Loan Program)	None	Provides via State and local Development Companies funds for business loans and guarantees to firms that can demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment.	None	Provides management and technical assistance to small businesses and funds university centers.	None
ESR (Only Rural Development Program)	Provides grants to develop the comprehensive planning capabilities of rural communities and multi-county planning areas. This is provided via the Rural III program and through the Soil Conservation Service's Research, Conservation and Development Program.	Provides loan guarantees to firms that can demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment; rural areas only.	Provides grants to rural areas for development of industrial parks.	Through an intensive field delivery system, an in-depth technical assistance program is made available to State, local public and private institutions, firms and associations.	Provides community development grants for water and waste disposal systems and loans for an assortment of community facilities.
ESC (Only Community Economic Development Program)	None	None	Provides grant funds to Community Development Corporations which use these funds for investment in for profit businesses that provide employment opportunities.	Provides grant funds to Community Development Corporations which use these funds for provision of Technical Assistance.	Provides grant funds to Community Development Corporations which use these funds for Community Development activities.
Title V Regional Commissions	Provides grants to develop the comprehensive planning capabilities of State Govts. and multi-county planning bodies and development districts, plus special planning activities of the Multi-State Regional Commissions. This is provided via Title V of the Public Works and Economic Development Act of 1963.	None	Provide supplemental public works grants to other basic programs and grants to conduct special demonstration projects of a varied nature.	Provides direct Technical Assistance and grants to State and local governments, multi-state development organizations, private firms and professional associations.	Provides supplemental grants and demonstration projects, planning assistance and technical assistance.
National Development Bank (proposed)	None	Will provide loans, guarantees, and selected subsidies to firms that demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment.	Provide grants to businesses as a subsidy to influence their location decisions.	Will provide direct Technical Assistance and grants to State and local governments, multi-state development organizations, private firms and professional associations.	None

Source: President's Reorganization Project

CURRENT DEVELOPMENT ASSISTANCE DELIVERY SYSTEM



The long term economic development programs have no effective links with employment and training programs that are preparing people for jobs.

- Program procedures conflict.

Each of these many programs has its own funding cycle, its own planning requirements, its own eligibility standards, and its own application process, making coordinated use of Federal tools difficult. For example: EDA, HUD, FmHA and EPA all fund portions of public facilities construction projects, but each agency has a different funding cycle, its own reporting procedures, and its own financial records requirements. HUD requires three-year Community Development and Housing Assistance Plans, EDA an overall economic development plan, and EPA an Areawide Wastewater Management Plan and a Facilities Plan.

- Delivery systems diverge widely.

EDA relies on six regional offices.

HUD has 10 regional offices, 40 area offices, 37 insuring offices and eight valuation stations.

The Title V Regional Commissions rely on the States for development planning and programming, while HUD and EDA largely bypass the States.

The FmHA has 42 State offices and 2,445 county offices.

- Authority does not match responsibility.

The current structure has no organizing principle. Agency responsibilities split neither on geographical nor functional lines. For example:

- The Secretary of Agriculture presumably has responsibility for rural development, yet controls less than 30 percent of all rural development grant funds. Definitions of urban and rural vary from program to program.

- The Secretary of Commerce has nominal responsibility for economic development, but major programs in HUD, CSA, SBA and FmHA are utilized for economic development activities. Further, much of the Department's economic development spending ends up in public facilities.
- The Secretary of HUD is responsible for urban programs, but lacks authority for some key urban assistance programs.

This fragmentation causes real problems including:

- Confusion and excessive administrative burden and cost at the State and local level. Each program has its own separate regulations, requirements, and management procedures. This causes tremendous confusion at the local level. Small cities, and rural areas in particular, complain that only cities with extensive grantsmanship operations can sort out the maze and get adequate development funding.
- Limited ability to involve the private sector. The number of agencies and procedures to be followed for packaging complex projects results in long lead times before projects can get underway. Private investors often cannot afford to wait. One agency's refusal can jeopardize the project, making businesses reluctant to get "tied up" in government red tape.
- Inefficient use of Federal personnel and resources. Opportunities to save administrative costs and use more effectively scarce technical talents now spread among the agencies are being lost. In fact, there is a trend toward further entrenchment of the waste and overlap. Three agencies are expanding staffs to conduct similar economic development functions (FmHA, HUD, and EDA), and a fourth is about to be created (The National Development Bank). HUD is hiring economic development specialists from EDA, while EDA is hiring urban specialists from HUD. Meanwhile, HUD, EDA, and FmHA are reviewing plans and applications from the same communities, often for the same project, and while coordination to minimize this overlap is being undertaken, it is very costly and wasteful.

- Unnecessary rigidity in the system; lack of flexibility to respond to local needs and opportunities; inability to pool and focus limited funds effectively to implement national policy. Each categorical program has a slightly different viewpoint and set of requirements that must be met. Each community must attempt to tailor its strategy to react to the changing mix of often narrow and not always consistent agency viewpoints and corresponding funding levels. Each program has slightly different targeting criteria determining which communities or parts of communities can receive funds.
- Lack of policy focus and direction. Fragmented programs and agency responsibilities make it difficult to devise and implement coherent national policies. No one agency can formulate development strategies that balance the needs of communities of different sizes or set priorities among different types of tools.
- Difficulties in comparing and evaluating the effectiveness of different approaches because of wide variations in data collection and interpretation among programs and agencies. No agency can evaluate the total impact of economic development programs.
- Gaps and overlaps in geographic coverage resulting from the widely different definitions of urban and rural used in different programs and the presence of three different agencies (HUD, EDA and FmHA) providing virtually identical kinds of assistance to smaller communities. With lines of demarcation so blurred (because of the haziness of the underlying demographic distinctions) and responsibilities so confused, some types of communities find themselves sent from agency to agency to get the aid they need.

B. Alternatives:

This section discusses two principal alternatives in detail.

Alternative 1. Department of Development Assistance

This option combines structural and program reforms to create a Department of Development Assistance (DDA) and streamline important features of Federal development assistance programs.

• Organizational Changes

The Department of Development Assistance would absorb the following Federal program responsibilities:

<u>Current Agency</u>	<u>Programs</u>
Agriculture	Community and economic development programs (non-farm and non-housing) of the Farmers Home Administration*
Commerce	Economic Development Administration Title V Regional Commissions
CSA	Community Economic Development Program
HUD	All programs
SBA	501 and 502 programs (loans to State and local development companies)
National Development Bank (Proposed)	All

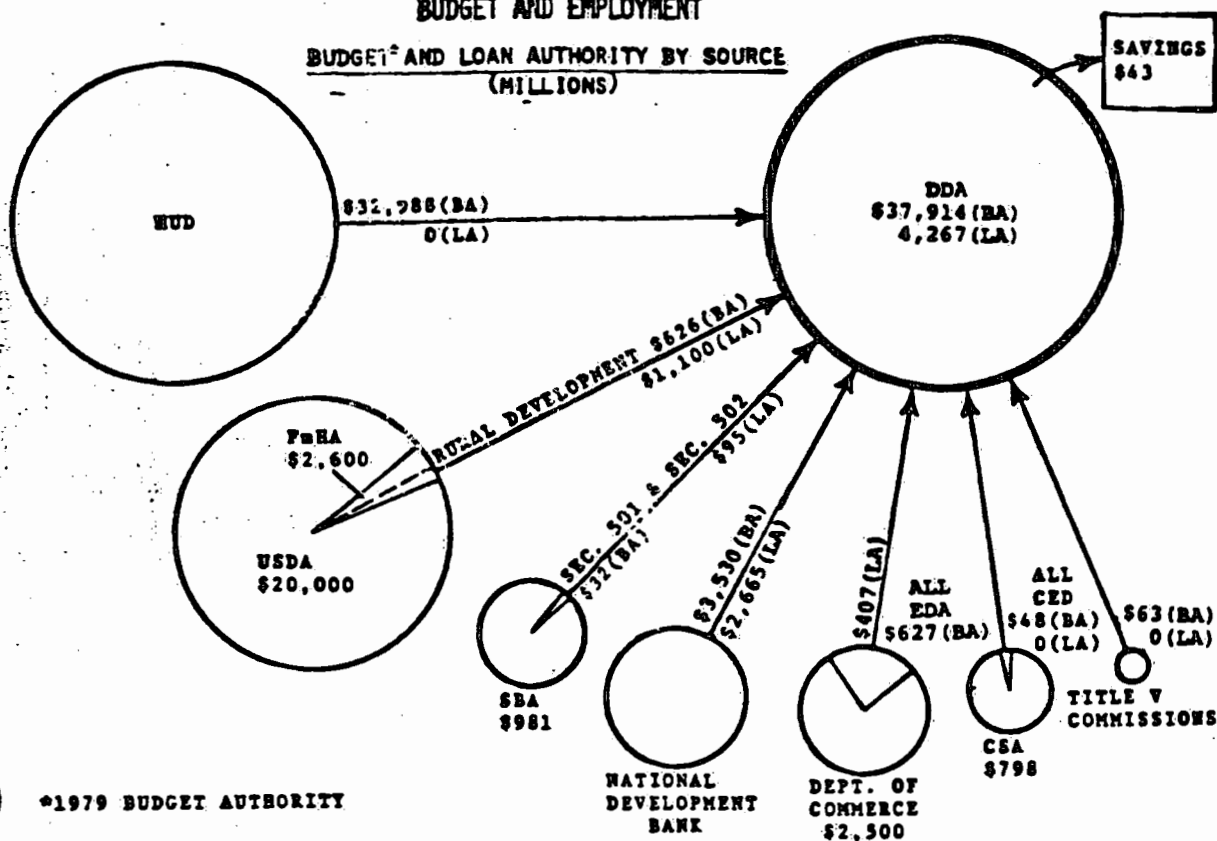
These changes would group the major Federal economic development, community development and development planning programs, as well as many of the housing programs in one place.

Within the Department, economic development would be organizationally separated from housing and community development, thus preserving its emphasis on job creation. The Department would establish organizational identities for urban and rural responsibilities. Exhibit VII depicts the transfer of resources and personnel in this option. Exhibit VIII depicts the simplified delivery of Federal development assistance under this option.

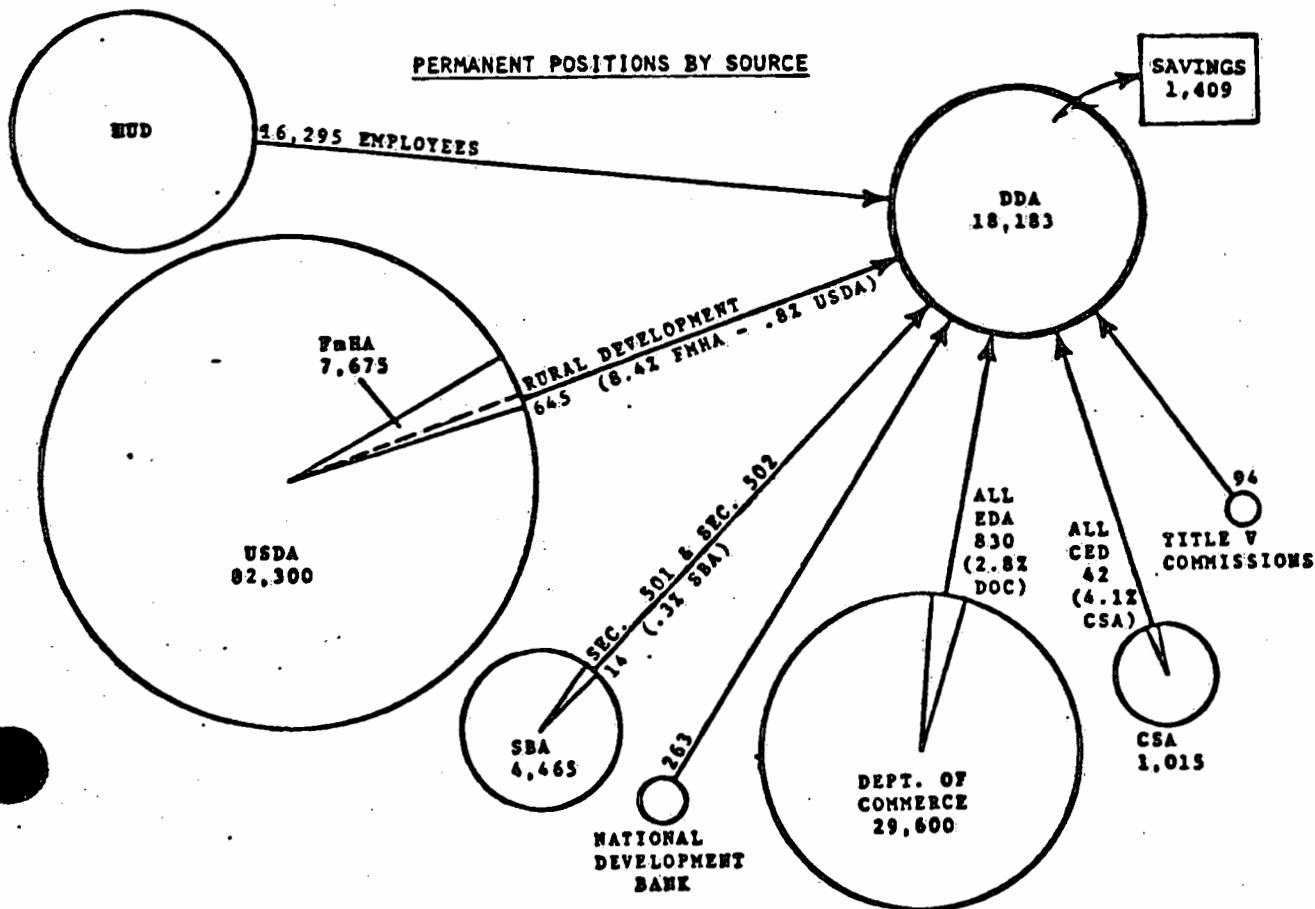
* The Farmers Home housing programs could be added to the Department as well, linking them to similar HUD housing programs and bringing into the Department the extensive Farmers Home field structure. We are exploring the pros and cons of including them.

DEPARTMENT OF DEVELOPMENT ASSISTANCE
BUDGET AND EMPLOYMENT

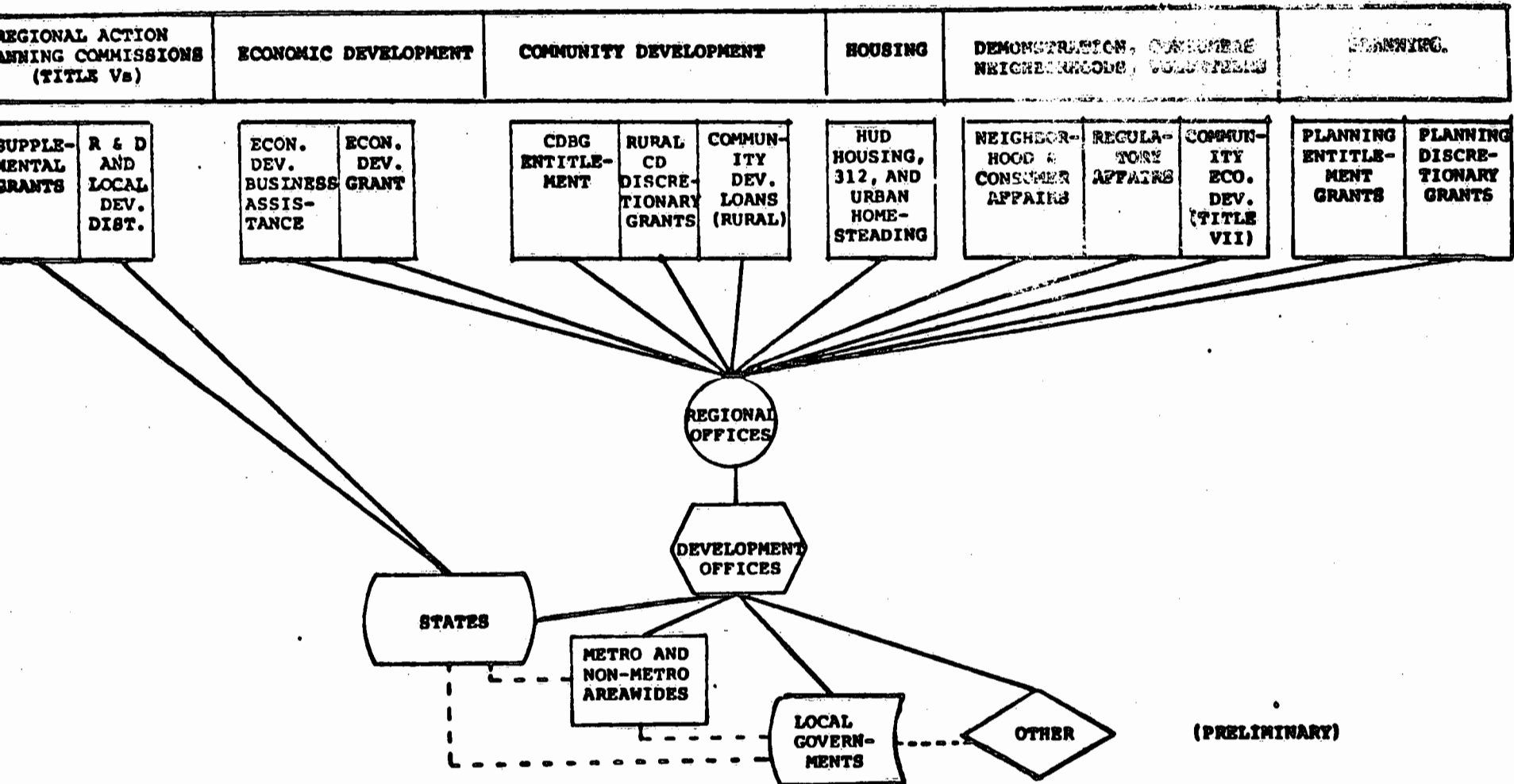
BUDGET AND LOAN AUTHORITY BY SOURCE
(MILLIONS)



PERMANENT POSITIONS BY SOURCE



DEPARTMENT OF DEVELOPMENT ASSISTANCE



• Programmatic Changes

The creation of the Department of Development Assistance would make possible program changes that would help to solve the problems caused by the current fragmentation. These program changes might be implemented simultaneously with the creation of the DDA or they could be phased in over a period of time. In each case, however, the program change will require some shifting of authority between departments.

- Consolidated Economic Development Assistance Program:

Combine 11 individual economic development grant and loan programs into:

- (1) a consolidated economic development grant program (EDA Titles I, IX, 301 and 304; HUD UDAG; FmHA Industrial Development grants; National Development Bank grants);
- (2) a consolidated economic development loan program building on the proposed National Development Bank. (National Development Bank credit programs; EDA Title II Business loans; FmHA Business and Industry loan guarantee program; SBA 501 and 502 loans to State and local development corporations).

Each of these would be a discretionary program and would be administered by an expanded Economic Development Administration within the Department of Development Assistance.

- Planning Assistance:

Create a single development planning assistance program to replace seven existing planning programs. This program would equip State and local governments to formulate development strategies to get funding from the new department. These strategies would also partly replace the planning requirements of other Federal programs (e.g., transportation, EPA water grants, and employment and training).

- Rural Development:

Create a unified, flexible and more efficient rural community facilities program by merging four existing programs into two:

- One for rural community development loans (FmHA water and waste disposal and community facilities loans); and
- one for rural community development grants (FmHA water and waste disposal grants, and Community Development Small Cities Grants).

The two programs would be administered by a rural community development unit that would form part of the core of the DDA.

- Housing Simplification:

Work with HUD, the Veterans Administration, and FmHA to streamline application forms, appraisal procedures, and related requirements in the housing programs administered by these three agencies.

- Farm Loans:

Transfer SBA's farm lending authority to the Farmers Home Administration in the Department of Agriculture.

- Labor/Economic Development Links:

Create a system of links between the Federal employment and training programs and Federal development assistance programs.

Advantages and Disadvantages

- Combining economic development, community development, and housing offers States, local governments, and businesses one-stop shopping for core development assistance tools.
- Equipping a single Cabinet department with tools to help State and local governments pursue a development strategy, would upgrade job creation as a Federal policy focus.
- Savings to the Federal Government of \$43 million could be achieved and costs for State and local governments would be reduced.

- Combining urban and rural programs in one Department would help to eliminate gaps in coverage while preserving Federal ability to vary programs to suit different needs.
- Consolidating economic development programs and planning assistance programs would simplify the Federal structure and make it more accessible.
- Placing all economic development programs in one department provides a logical home for the National Development Bank and strengthens the Bank proposal by streamlining and consolidating loan programs.
- Consolidating economic development programs allows the Administration to build on the pending EDA reauthorization and use it as a vehicle for consolidating economic development programs.
- Consolidating development planning programs will make it easier for State and local officials to set priorities for development funding and tie Federal decisions to State and local priorities.
- By bringing together technical personnel administering the various development programs, we can make more efficient use of scarce technical expertise at both Federal and local levels.
- But: Opponents would characterize the reorganization as moving EDA to HUD. EDA is considered by many in Congress as responsive and efficient while HUD is regarded as slow-moving and less responsive to Congressional requests.
- Some programs which impact on development would remain outside this department (e.g., DOT, EPA, DOL, SBA) and would continue to require Interagency Coordinating Council coordination, but coordination would be simplified by this option.
- But: Some argue that this proposal breaks the potential organizational link between economic development in the new department, and microeconomic analysis, which would remain at Commerce, although at present little EDA money is co-managed with trade and other microeconomic programs.
- But: Some argue that building on HUD, which has a reputation for excessive regulation and excessive tilt toward social goals, would dilute EDA's business focus. Some argue that economic development would be subordinated to housing concerns in the new department.

- But: Some argue that community and economic development will not necessarily be integrated better because urban community development will still be dispersed by formula while economic development funds are discretionary.
- But: Reorganization always leads to short term disruption and cost.

**Alternative 2: Consolidate Economic Development Programs
in Commerce Leaving Community Development
in HUD and USDA.**

This alternative would make a sharp division between economic development programs and community development and housing programs. It would group the major economic development programs together in EDA in Commerce, and leave the community development and housing programs in HUD and FmHA.

• **Organizational Changes**

The expanded Department of Commerce and Economic Development would absorb the following Federal program responsibilities:

<u>Current Agency</u>	<u>Programs</u>
Commerce	All programs
HUD	UDAG
Agriculture	FmHA Business and Industry Loans; FmHA Industrial Development grants
SBA	501 and 502 programs (loans to State and local development companies*)

These changes would group the major Federal economic development programs in Commerce along with trade, technological information and analysis functions.

Within the Department, economic development would remain organizationally separated from the other business assistance, trade, and information functions to preserve its emphasis on job creation in distressed areas. Within the Economic Development Administration there would be an enlarged Development Bank to provide credit assistance to businesses, and a division to provide economic development and public facilities grants to States, communities and other current recipients.

* All SBA programs could be added to this expanded Department as well, linking them to other development loan programs, and further centralizing credit control and delivery. However, some argue that the small business focus would be lost if SBA is not maintained as a separate agency. We are exploring this option.

Exhibit IX depicts the transfer of resources and personnel in this option.

Programmatic Changes

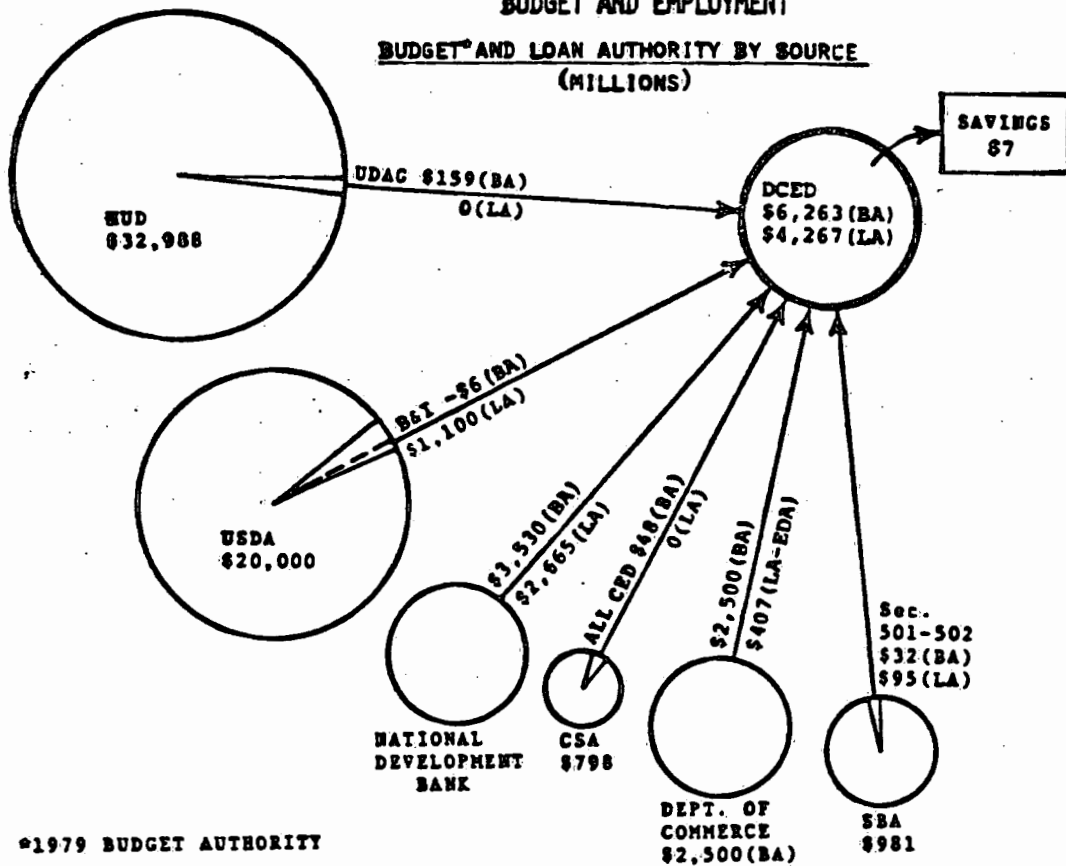
Like Option 1, this option would make possible the consolidation of Federal economic development programs, but not the other program reforms.

Advantages and Disadvantages

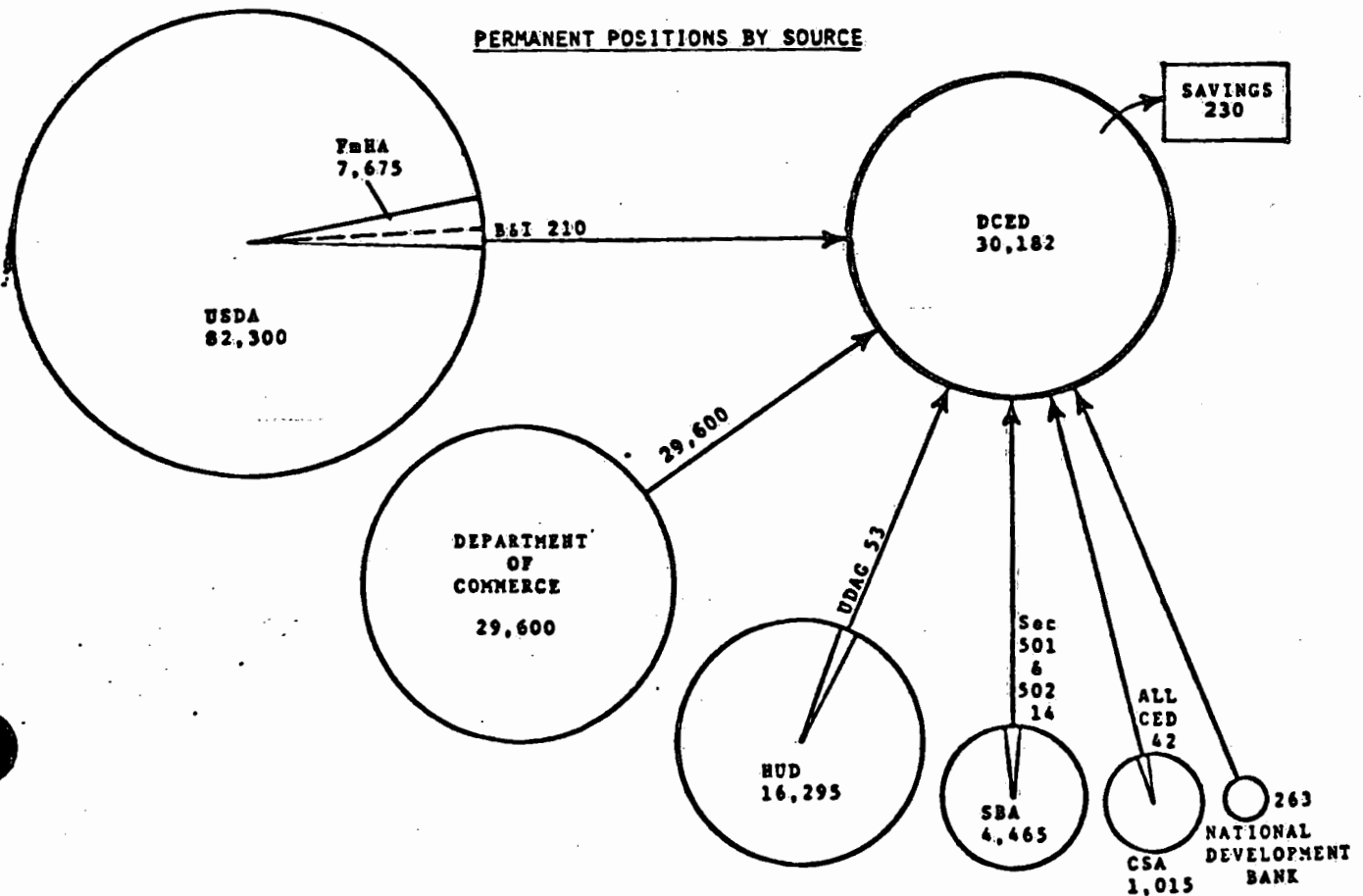
- This option would concentrate economic development program resources at the Federal level, much as Option 1 would. It would thus permit better evaluation of Federal economic development programs, streamline economic development assistance, and provide a home for the National Development Bank.
- The Federal Government could save \$7 million by consolidating scarce technical expertise, and standardizing and simplifying economic development program requirements.
- This option would allow the Administration to build on the pending EDA reauthorization and use it as a vehicle for consolidating economic development programs.
- By separating economic from community development, this option helps to ensure the business focus of economic development programs.
- This option also builds on EDA's reputation for strong management.
- Expanding economic development functions in Commerce increases the potential for targeting economic development funds to ameliorate trade and productivity problems, and vice versa.
- But: Recipients often use community and economic development funds for the same projects and do not distinguish among them in practice. In fact, much of the economic development assistance goes for public facilities.

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
BUDGET AND EMPLOYMENT

BUDGET AND LOAN AUTHORITY BY SOURCE
(MILLIONS)



PERMANENT POSITIONS BY SOURCE



- But: The inconsistent standards, duplicative requirements and other problems caused by having community and economic development programs in different agencies would persist. In fact, this option would worsen it by pulling economic development out of two agencies where it is combined with community development (FmHA and HUD).
- But: It would be more difficult to consolidate development planning assistance or streamline rural community facilities programs.

Other Alternatives Considered

- (a) Seek procedural change only: Some of the problems with Federal development programs could be relieved through better coordination and detailed procedural changes. In fact, the Interagency Coordinating Council has already made a start in this direction. Even if the reforms proposed above were adopted, this mechanism would still be needed to coordinate the numerous agencies and programs untouched by reorganization.

To rely on procedural coordination alone, however, seems unpromising. A long history of previous efforts to relieve program and organizational fragmentation through procedural change and coordination demonstrates few lasting successes.

- (b) Create separate Departments of Urban and Rural Development: This option would place all community and economic development programs for rural areas in Agriculture and all community and economic development programs for urban areas in HUD. It would appear to rural groups and achieve some simplification. However, this option would be the most disruptive because it would require that EDA and CDBG each be split in two. It would raise programmatic problems because urban and rural areas are interdependent and because many communities, as their demographics change, would have to shift from one agency to another for funding.
- (c) Create a broader Department of Development Assistance: A number of other programs would fit well within the DDA concept and may be candidates for eventual inclusion. Because they are politically unfeasible or because their links to the agencies in which they now reside are too substantial to disturb, we have not included them in Option 1.
- Employment and Training Administration (Labor)
 - Highway and Transit Programs (Transportation)
 - Wastewater Treatment Construction Grant Program (EPA)
 - Veterans Administration Housing Programs

III. Food and Nutrition

Our food system is big, complex, and constantly changing. These changes reflect trends in consumer habits, advancing technology, growing knowledge of the relationships between diet and health, and changing world economic conditions. By historical standards the food system has performed well. But new problems and new standards for evaluating the system are emerging.

We now expect the food system to help meet national health goals, aid in world diplomacy, contribute to wise resource use, and help meet other domestic and international needs. The current organizational structure of the Federal Government does not deal adequately with these new expectations and the conflicts that surround them.

The conflicts in the food system are many; farm prices versus retail prices, processing costs versus food safety, product promotion versus nutrition information, resource use versus resource preservation, and food aid and foreign trade versus domestic supplies and costs. Each of these conflicts must be dealt with in forging a food policy. Dealing with them is difficult under the best of circumstances. But the current organizational structure tends to make matters worse. Cabinet and independent agencies tend to be organized (or at least viewed as organized) around clienteles that are on one side or the other in these conflicts. This polarizes views on specific issues, invites extreme arguments, and impedes objective policy-making.

USDA has many food and nutrition programs; so does HEW. But neither has effectively represented the consumer in developing a food and nutrition policy. As a result, we have a weak policy (some would say no policy at all) and even minor program controversies sometimes rise to the White House for resolution.

Nutrition research, education, and surveillance are scattered throughout USDA and HEW and other Federal organizations. There is currently no place within the Federal Government where these important nutrition activities are integrated to develop more consistent and effective Federal programs. The Federal nutrition effort has been criticized as follows:

- It is unresponsive to consumer concerns and long-term public needs.
- It has low status and visibility in the Federal Government.

- It has limited accountability in terms of technical accuracy and appropriateness, as well as measures of effectiveness.
- There is poor coordination among organizations conducting nutrition-related activities.

Various Proposals Considered

Because of the need for more consistent national food and nutrition policy, we are considering proposals to increase the emphasis on nutrition research and policy in the Department of Agriculture. Specific organizational changes under consideration are:

- Change the name of USDA to the Department of Food and Agriculture (DFA)
- Clarify the following authorities and responsibilities between DFA and HEW:
 - nutrition research
 - nutrition surveillance, and
 - nutrition education
- Transfer to DFA the fish and wildlife services division of fisheries research in Interior; this would increase DFA's ability to develop and promote fresh water fish production and marketing.
- Leave in DFA the child feeding and nutrition education programs rather than transfer them to the new Department of Education.

We have also considered the following programs but have tentatively decided against recommending them for transfer:

- FDA's Bureau of Foods, presently in HEW
- The alcohol labelling authority, presently in Treasury's Bureau of Alcohol, Tobacco and Firearms
- Various fisheries and aquaculture programs in NOAA.

Enhancing consumer and nutrition functions in a separate and clearly identifiable unit in a Department of Food and Agriculture has the following advantages:

- Permit conflicts between food and nutrition policy and commercial agriculture (over food safety, price, labelling, chemical additives, etc.) to be worked out within a department.
- Provide a close relationship between nutrition research and farm production decisions.
- Give the Secretary of the DFA greater balance among his production and consumer constituency groups.
- Provide a strong Cabinet voice for a national food and nutrition policy.

Some of the disadvantages of this proposal are as follows:

- Despite the internal reorganization suggested above, there is concern that USDA's strong commodity and production interest will overwhelm consumer-oriented food and nutrition activities.
- HEW may be a more appropriate lead agency for nutrition policy because of the relationship between nutrition research and education and other health research and promotion activity within the department.
- USDA's conservative grower constituency may strongly object to any increased emphasis on nutrition programs in the Department of Agriculture.

IV. Department of Commerce

A. The Problem

Our study of economic policymaking in the Executive Branch has pinpointed critical deficiencies in our ability to effectively promote trade and to perform quality microeconomic (sectoral) analysis. In both areas, program fragmentation is a major cause of the problem. There has also been widespread comment that the disparate and unrelated activities of the Commerce Department today hinder its effectiveness because of a lack of organizational focus. Exhibit X describes the Federal trade, economic and business assistance programs and Exhibit XI depicts the organizational fragmentation.

- Strong sectoral analysis is not available for decisionmaking.

No one agency has the tools to analyze sectors of the economy. Although the Council on Wage and Price Stability is assembling a temporary staff to monitor the activities of about 400 large firms for the anti-inflation program, no permanent center exists. Resources are scattered across the government devoted to particular industries and problems. Their work is uncoordinated, leaving large gaps in coverage, little capacity to anticipate future problems (such as material shortages), and little ability to target resources on particular problems (such as the impact of government regulation in specific industries).

Agency	Sectoral Analysis	Impact of Regulation	Foreign Trade	Productivity Growth	Business Services
COMMERCE (Science & Technology, Industry & Trade Adm., Patent Office, MARAD, Census, BEA)	Collects and analyzes data on U.S. industries (production, consumption, capacity, etc.).		Provides U.S. Bus. with information services; arranges overseas sales events, trade promotions. Coordinates East-West trade promotions.	Conducts research into basic properties of materials; promotes use of available technology. Conducts Tech. Incentives Program.	Provides assistance and information on Fed. programs to business through network of field offices.
INTERNATIONAL TRADE COMMISSION	Studies industries affected by imports.		Recommends on tariff and non-tariff issues.		
TREASURY (Bureau of Commodities & Natural Resources, Office of Foreign Assets Controls, Office of Tariff Affairs; Office of International Affairs)	Studies internationally traded commodities, such as bauxite, coffee, copper, tin, etc., to back up U.S. inter- national commodity policies.		Policy guidance for direct international investment; East-West trades; and Export-Import Bank. Embargo enforcement. Anti-dumping; counter-vailing duties.		
INTERIOR (Bureau of Mines - Sectoral Analysis)	Compiles and analyzes information on mineral resource development (incl. exploration, production, prices, and trade).				
EXPORT-IMPORT BANK			Aids financing to promote U.S. exports.		
SMALL BUSINESS ADMINISTRATION					Loan assistance programs; manage- ment programs.
SPECIAL TRADE REPRESENTATIVE			Trade negotiations.		
STATE (Commercial Attaches)					Information about business opportuni- ties for U.S. firms

Department or Agency	Office	Clients	Budget (M)	Personnel	Mission
International Trade Commission	All	Business community, U.S. trade representatives, Fed. Agencies	13.1	395	Studies industries affected by imports and recommends remedial actions.
Treasury	Bur. of Com. Modities & Natural Resources	Businesses dealing in certain commodities	1.4	31	Studies trade commodities to develop and recommend U.S. trade policy.
	Tariff Affairs	Business community	.3	12	Monitors imports and prices and recommends anti-dumping actions.
	Int'l Trade & Investment	Ex-Im Bank, business community	.4	15	Provides policy guidance for U.S. investments, East-West Trades, Ex-Im Bank.
	Foreign Assets Controls	Business community, U.S. interests	.2	10	Enforces embargoes.
Interior (Bureau of Mines)	Sectoral Analysis	U.S. mining interests	1.7	48	Monitors and performs economic analysis on mining industries.
Commerce	Industry and Trade Admin.	Small and medium-sized businesses	43.0	1005	Promotes exports and provides assistance to domestic business.
	Bureau of Economic Analy.	Government, business, academe	14.5	490	Prepares and interprets nat. income, & product, regional, interindustry and int'l accounts.
	Census	Government, business, academe	288.0	4000	Collects, tabulates and publishes statistics on population, industry, governments, transportation.
	OMB	Minority businesses	50.0	230	Promotes establishment and strengthening of minority businesses.
	Science & Technology	Business, academe, science community	94.3	1887	Manages U.S. weights and measures system and performs basic and applied research.
	Patent Office	Inventors, business community	14.7	2894	Encourages innovation by protecting economic interests of investors.
	USPSA	Ship owners, operators, unions	670.0	1400	Subsidizes and promotes U.S. shipping.
	ETA Trade Adj. Asst.	Firms injured by imports	95.0	20	Provides financial and technical assistance to firms injured by imports.
Export-Import Bank	All	Exporting businesses	13.5 (5.3 B Loan Program)	430	Promotes and finances U.S. exports.
Small Business Administration	All	Small and medium-sized businesses	949.0	4451	Provides financial and technical assistance to U.S. businesses.
Special Trade Representative	All	Trading partners, industry	2.7	41	Administers the trade agreements program and directs U.S. trade negotiations.
State	Commercial Attaches	Business community, Federal agencies	21.8	175	Fosters and provides assistance to U.S. business abroad.

• Federal trade machinery lacks leadership and consistency.

No one official can provide leadership in trade policy, set priorities or deal effectively with trading authorities of other nations. In fact, Federal agencies often work at cross purposes. In one case, for example, the STR was negotiating orderly marketing arrangements on color televisions with Japan while Treasury was in the process of developing anti-dumping duties. In another case, Treasury was working to protect the American steel industry from increasing imports, while the Export-Import Bank was negotiating to finance sales to Trinidad and Tobago of steel mill equipment to produce steel exports destined for the U.S. market.

• Business services are provided by several agencies which duplicate services and compete with each other.

The system is wasteful, with hundreds of duplicative field office personnel. It is also confusing to businessmen, who must cope with the Small Business Administration, the Office of Minority Business Enterprise, or the Industry and Trade Administration (Commerce) depending on the nature of the problem and where the funds are available.

B. Options

The case for improving economic policymaking capacities of the Executive Branch must be examined in the context of the other reorganization options discussed earlier. The effect of establishing the Departments of Natural Resources and Development Assistance, is to remove about half the Department of Commerce staff and budget. Our natural resources, local development, and economic policymaking studies converge to require a careful reexamination of the future of the Department of Commerce.

We have completed sufficient analysis to identify several credible Commerce Department options. Each has pros and cons -- substantive and political. None, however, has been sufficiently explored within the Executive Branch or with Congress and interest groups to warrant a recommendation now. We plan to review each of these options intensively over the next several weeks. We will have a recommendation regarding the

Commerce Department by the end of January. The following options are under consideration:

1. Department of Commerce and Trade

A new Department of Commerce and Trade (DCT) would build on the present Department of Commerce (except for the National Oceanic and Atmospheric Administration and the non-trade related functions of the Economic Development Administration). It would include the Special Trade Representative (now in the Executive Office of the President), the Small Business Administration, two independent agencies (the Export-Import Bank and the International Trade Commission), and functions from the Treasury, State and Interior Departments (such as sectoral analysis, anti-dumping and countervailing duties, and commercial attaches).

2. Department of Trade and Economic Development

Should you decide to separate community development and economic development and make Commerce the economic development agency, you might also decide to enhance Commerce as a trade agency. These decisions would result in creating a Department of Trade and Economic Development.

3. Retain the Commerce Department as is

Better coordination of functions could be accomplished through an Executive order establishing appropriate coordination mechanisms. For example, the Interagency Trade Policy Committee chaired by the Special Trade Representative, could be given expanded authority within the Executive Branch. Without its public works and oceans and weather responsibilities, the Department could focus on its business policy functions and traditional corporate constituency.



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

January 11, 1979

*Kavanaugh
Board
Sal.*

SUBJECT: Reorganization — Development Assistance

TO: Harrison Wellford
Lynn Daft

Yesterday the Secretary asked that the President be given an option that would build economic and community development programs on existing programs in HUD and USDA. This memorandum represents the rationale behind the Secretary's request.

The case for a department of development assistance (Option 1) rests primarily upon arguments for linking economic and community development assistance, and for lodging urban and rural development program in the same organizational entity.

The present Option 2 consolidates economic development programs in Commerce and leaves community development programs for rural communities in USDA and for urban areas in HUD. This violates both the basic arguments that provide the justification for a department of development assistance.

The missing option is to keep all economic and community development assistance aimed at urban areas together and all such assistance aimed at rural areas together. This preserves the arguments for linking economic and community development but rejects those for lodging urban and rural programs in the same organizational entity.

Actually, the proposed department of development assistance would "establish organizational representation for urban and rural responsibilities and provide for the special delivery system needs of small towns and rural areas." Thus, the only question of substance between this option and one that has all rural development assistance in one department and all urban assistance in another is: Can one department better coordinate than two?

An option for separate rural and urban development programs clearly is more politically feasible than one development option. The option for an economic development organization separate from two community development organizations may be even more salable from a political standpoint. Unfortunately, this latter option destroys the arguments for linking economic and community development assistance.

There is, therefore, a clear series of choices: one organization for development assistance (that, as proposed, includes only some of the federal government development assistance programs), that can be supported by strong arguments on conceptual and theoretical grounds (some theoreticians disagree) but is weak on practical and political grounds; a two-organization development assistance thrust (urban and rural), that is weaker on conceptual and theoretical grounds but stronger on practical and political grounds; and a three organization development assistance thrust that may be the most politically feasible option, but that violates almost all the substantive arguments for reorganization.

HOWARD W. HJORT

HOWARD W. HJORT
Director of Economics, Policy
Analysis and Budget

Attachment



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

January 10, 1979

Memorandum for Harrison Wellford

I talked with Kay today after she talked with you about the option of allocating development authorities to either USDA or HUD, and then talked with Bob Bergland.

The Secretary would like to have the President have the choice of such an option in addition to the DDA and the DCED options.

Language that could be inserted on page 20 is attached. In addition, on page 25 the following should be inserted between the DDA and the DCED options:

_____ yes, build economic and community development programs on existing programs in HUD and USDA and pursue the associated program reforms.

A couple other proposed changes:

Page 13, last line, should read "The FmHA has 46 State offices, 280 district offices, and 1,883 county offices."

Page 14, 2nd line of 2nd para, should read: "For example, although USDA has the rural development lead, and major rural development loan programs, 75 percent of the rural development grant funds are in HUD and Commerce."

The entire last para on page 22 should be deleted.

The Secretary and I would greatly appreciate your making these changes. We apologize for the lateness.


Howard Hjort

Option 2: Strengthen Existing Economic and Community Development Programs in HUD and USDA. This option would place all community and economic development programs for rural areas in Agriculture and all community and economic development programs for urban areas in HUD. Although this does not have the organizational advantage of consolidating all development programs offered by Option 1, it does have other practical advantages. It does not involve creation of a new department. It permits housing and development programs, often integrally related, to be kept together. It permits development programs for rural areas to be built around the existing USDA delivery system of county and district offices, thereby overcoming a major problem which would confront a new Department of Development Assistance. Moreover, consolidation of development programs for rural areas with existing USDA programs would permit savings in employment of approximately 3,000 positions.

Finally, such a move would appeal to rural--urban groups and would be much more likely to be accepted by Congress.

However, this option, by dividing authority for urban and rural development between HUD and USDA would require that EDA, CDBG and the National Development Bank be divided among the two departments. Programmatic problems, such as changing demographics which shift communities from the jurisdiction of one agency to another for funding, may be resolved administratively.

o Organizational Changes

The expanded urban development programs in HUD would absorb the following Federal program activities:

<u>Current Agency</u>	<u>Programs</u>
Commerce	All EDA programs for metropolitan areas
SBA	501 and 502 programs (loans to State and local development companies)

The expanded rural development programs in USDA would absorb the following Federal program activities:

Commerce	All EDA programs for non-metropolitan areas
HUD	Non-metropolitan share of CDBG; housing programs for rural areas; planning grants for non-metropolitan areas.

o Programmatic Changes

Like Option 1, the option would permit consolidation of Federal economic programs with Federal programs assisting the development of community infrastructure. This Option would recognize the different problems faced in delivering Federal assistance to rural areas by dividing existing assistance programs into two distinct parts with appropriate delivery systems and with different eligibility requirements.

Advantages

- o This option would maintain links between Federal economic development, community development, and housing assistance programs.
- o This option would not require the establishment of a new department or agency, but would be built on the structure and strengths of existing organizations.
- o This option would facilitate the development and administration of coherent rural and urban development policies.
- o This option would result in consolidation and simplification of programs which would permit a reduction of 3,000 positions.
- o This option would be most likely to be accepted by Congress.

Disadvantages

- o This option would not permit total consolidation of development assistance programs in one department.
- o This option would require that the National Development Bank, EDA programs and HUD's CDBG and planning grants programs be divided into metropolitan and non-metropolitan components.
- o Changes in demographics could result in shifting communities from the jurisdiction of one agency to another.



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

January 12, 1979

MEMORANDUM FOR: James T. McIntyre, Jr.
Director
Office of Management and Budget

SUBJECT: Additional Reorganization Option

As you know, the Secretary is at home recovering from an injury. The enclosed letter has been discussed with the Secretary and reflects his views on the matter. He has asked that although it is unsigned, it should be regarded as a response directly from him.

A handwritten signature in cursive script, appearing to read "Howard", is written above the printed name.

Howard W. Hjort



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

17 JAN 1979

MEMORANDUM FOR: James T. McIntyre, Jr.
Director
Office of Management and Budget

SUBJECT: Additional Reorganization Option

This is in response to your request for comments today on a new "Option 3". This option would "consolidate development assistance to State and local governments in a Department of Development Assistance, and assistance to business in a Department of Trade and Business Development."

This option suffers from a deficiency which I consider to be severe and which I have discussed before. While this option improves program coordination in Washington and offers easier access to assistance for groups which deal directly with Washington, it fails to recognize, or to give sufficient weight to, the fact that small communities across the country do not have convenient access to Washington or to major regional centers. Much of the development assistance these small communities obtain from Federal sources, both economic development assistance and assistance for essential community facilities, is obtained through a network of multi-county district offices maintained by the Department of Agriculture.

If the practical problems of delivering assistance in small highly-tailored packages to these thousands of small communities is to be given equal weight with the conveniences of improved coordination in Washington, then it is imperative that this existing network of multi-county offices be somehow maintained to deliver both economic development assistance and other community development assistance to these small communities. This is essential irrespective of the option selected by the President. Besides preserving some likelihood that economic and community development assistance will continue to be coordinated at the local level, a value which Option 3" minimizes, delivery of both kinds of assistance through these offices is the only approach which can continue to offer small communities assistance at a level to which they have convenient access.

My concern with this issue extends beyond this particular option. The chief reservation I have had with the various draft memoranda for the President is the increasing focus upon structural reform of Federal programs in Washington. In fact, relatively little of the actual operation of Federal programs is performed in Washington. This is particularly true with respect to Federal programs for managing national resources, assisting economic and community development, and providing for the nutrition of people both here and abroad. I am afraid that in pursuing improved organization structures far too little attention has been given to the program delivery system. And after all, a coordinated delivery system at the point where the services and benefits are delivered to program

recipients is the key to efficiency and effectiveness.

It is for this reason that I have strongly recommended the inclusion of an option which would permit delivery of development assistance to urban and rural communities through separate channels. The network of multi-county offices in the Farmers Home Administration delivery system is superior for several reasons. It has facilitated coordination of development efforts at the local level; ensured the accomplishment of Federal objectives; and permitted the kind of close oversight that has minimized fraud. And most important, it offers assistance to small communities at a level to which they have convenient access.

I do not think that the political importance of this last point can be over-emphasized. This network of district offices has made Federal assistance programs relevant to rural businessmen and to officials of rural counties and communities across the country. Without the access to Federal programs which these offices provide many small communities would be isolated from the benefits of these programs. Many members of Congress are aware of this and concerned about it.

This new option should, no doubt, be among those options presented to the President. But I am trusting you to see to it that the President also has the opportunity to consider the option which I have recommended. It is, I think, best designed to provide effective and efficient delivery of economic and community development assistance keyed to the needs of the recipient communities.



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

January 9, 1979

SUBJECT: Reorganization

TO: James T. McIntyre, Jr.
Director
~~Office of Management and Budget~~

I received this morning the draft memorandum for the President on the Administration's position on the Department of Education bill for this year. My response is directed to you because any such recommendations clearly should be coordinated and integrated with the Presidential decision memorandum on other proposals (natural resources, economic development, food and nutrition) scheduled to go to the President today or tomorrow.

I strongly contend that, for consistency with the memorandum on other proposals, no transfer of nutrition programs should be contemplated, and that I should not be placed in the position of receiving recommendations (from whatever level) that would recommend or even suggest transfer of nutrition programs from the Department of Agriculture. Further, I strongly recommend that this matter be settled in the memorandum on other reorganization proposals.

Specifically, I recommend that, on page 27 of the draft Memorandum for the President on "Reorganization 1979," the first decision item be changed to read: "(1) Designate USDA as the lead agency for nutrition policy, and retain and strengthen within USDA the child nutrition programs (including the Special Supplemental Food Program for Women, Infants, and Children; nutrition education activities; National School Lunch Program; School Breakfast Program; Special Milk Program; Child Care Food Program; Summer Food Service Program) and the nutrition research, surveillance and related programs and activities in the food and nutrition area."

As already indicated to you, I concur in the second decision item on page 27. I strongly recommend that both of these decision items (with the changes recommended here) be included in the Presidential decision memorandum.

Please call me if there are any questions.

BOB BERGLAND
Secretary



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

ADMINISTRATIVELY
CONFIDENTIAL

January 2, 1970

SUBJECT: Draft Reorganization Memorandum

TO: James T. McIntyre, Jr.
Director
Office of Management and Budget

As you requested, I have read the draft memorandum on the four reorganization proposals, three of which involve substantial elements of the Department of Agriculture. I would like to offer some observations and suggestions which I believe should be taken into consideration in presenting these options to the President and in developing the strategy for presenting proposals to the Congress.

Without regard to the merits of any of the four reorganization proposals, I very strongly advise that not more than one of these be before the Congress at any time. Despite the illogic and duplication inherent in the current executive branch organization in these four areas, it is not by accident or neglect that these programs are arrayed and scattered as they are. Strong interests stand behind these programs, and stand behind having them where they are. Generally, supporters of these programs believe that the present alignment of organizations and authorities is most conducive to administration of these programs in a manner sympathetic to and supportive of their own objectives.

In this situation there cannot be realistic hope for approval of any of these proposals unless the President himself is able to devote substantial time and effort to promoting their acceptance. I can recall from my experience as a member of Congress at the time a comprehensive reorganization was proposed by the Nixon Administration that a major factor in their failure to obtain significant support even among their own party was the President's inability to become personally involved in the reorganization effort. In more than a few cases, members of Congress may be acting against their own political interests in supporting reorganization. This support will not be had without the President's extensive, personal involvement, and I do not believe that the President can adequately attend to more than one of these proposals at one time.

Moreover, by addressing these proposals singly we are less likely to lose them owing to confusion among members of Congress or owing to a coalescing of otherwise heterogenous interests who have no common bond beyond opposition to a change in the status quo.

I realize that each of these proposals is an integral component of a sensible, comprehensive reorganization plan which is best seen in its entirety, and that departments which lose some functions in one component

of the reorganization are likely to gain others in another. But the opposition to reorganization will not be based on the merits of the larger reorganization plan, nor on whether particular executive departments and agencies gain or lose by it. Rather the opposition will be based on narrow issues and narrow interests, and we stand a better chance of succeeding if we avoid giving these narrow interests an opportunity to rally together.

Natural Resources

With respect to the proposal for reorganization of natural resources programs, I agree that agencies with responsibilities for management of public lands should be combined. Specifically, I agree that there is no justification for maintaining separately the Forest Service and the Bureau of Land Management. My preference is that national forests and other federal lands not be placed in a setting in which their contribution to national productivity is diminished. In any event, I strongly recommend that a new public lands management agency be built around the Forest Service, by having the Forest Service absorb other land management functions, so that the identity of that agency is preserved intact to the maximum extent. The Forest Service is one of the best managed agencies of the federal government; it has an outstanding recruitment and training program and an unusual esprit de corps. These qualities can best be preserved in the new agency by allowing Forest Service to absorb the BLM and other land management programs.

I would also urge that water policy development and planning be placed in a single agency. The present fragmented authorities preclude development of a coherent water policy. Agriculture accounts for almost half of water withdrawn from the ground and the surface, and accounts for over 80 percent of water consumed. It is, therefore, of vital importance to the nation's agriculture to encourage the development of a comprehensive water policy and water use plans. I also agree, however, with the wisdom of keeping the responsibility for construction in the agencies presently with those responsibilities.

Development Assistance

First, I believe it is essential to keep programs for funding public facilities tied to business assistance programs. Economic development, particularly in rural areas, is dependent on the quality and availability of essential community facilities such as water systems, waste treatment plants, and fire protection. Efforts at purely economic development in communities which lack these facilities can hardly be expected to succeed. In the interest of coordinated development planning and assistance, it is important to keep these programs together. Efforts at creating a Department of Commerce and Economic Development ignores this necessity.

Second, it is imperative to recognize that federal assistance programs intended to aid rural communities must be organized differently from those aimed at urban areas. Most major cities have sophisticated planning offices, water and waste treatment commissions, highway departments, public housing boards, and the like, able to work directly with federal departments in Washington or in regional offices. These municipal

boards and commissions have the capability to take federal assistance programs directly from Washington, tailor them to particular local needs, and apply them directly to local problems.

Rural communities, by and large, do not have this capability. In order for rural communities to make use of federal assistance, it must be made available to them at levels to which they have convenient access. My own experience, both in the Congress and the Cabinet, with attempts to administer economic development programs for rural areas out of regional offices is almost uniformly bad. It is simply not feasible to run effective rural development programs out of thirty or forty big cities.

Last year we began a reorganization of the Farmers Home Administration which will consolidate responsibility for rural development assistance programs in multi-county district offices. The boundaries of these districts are coterminous with existing state economic development districts. We have retained in our county offices only farm and housing programs. I would strongly urge that any reorganization plan incorporate these multi-county district offices which we have in place, as being the primary delivery system for rural areas. The dismantling of the delivery system would seriously impair the ability of smaller communities to obtain comprehensive assistance.

Food and Nutrition

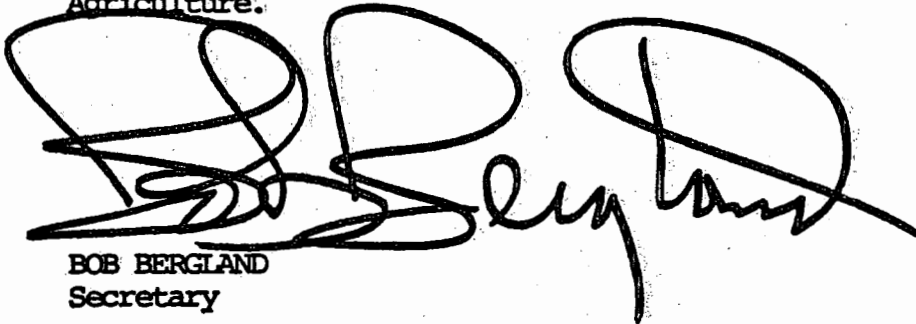
Of the three parts of the reorganization plan substantially affecting USDA, the proposal for food and nutrition is least well developed and is not, in my opinion, ready for presentation to the President. While we have continually encouraged the reorganization project leaders to develop reorganization plans for food and agriculture at the same time as those for resources and development, I do not believe that the scope of the food and agriculture plan is sufficiently broad.

First, the discussion is bound by either a parochial or outdated concept of the role of agriculture and food in international affairs. U.S. agriculture is an integral part of the world economy. Our agricultural commodity programs are predicated upon strong export markets. The prices our farmers receive for their products are heavily affected by world supplies. Sales of U.S. farm products make up a major part of our revenue in international trade, and can be expected to become still more important in the future. As a whole, U.S. agriculture has a greater stake in world trade than perhaps any other U.S. industry, yet barriers to agricultural trade have historically been relegated to the back burner in international trade negotiations. More attention needs to be given in this proposal to consolidating authorities for promotion of trade in agricultural products with authorities for control and development of agricultural production.

In the context of aid and development assistance to foreign countries, food and agriculture is of paramount importance. The first imperative facing the governments of least developed countries, and the governments of some of the most populous countries, is assuring their citizens of an adequate diet in the short-term, and developing a greater capacity to feed themselves over the long-term. Nonetheless, authorities for

designing and delivering these crucial nutritional assistance and agricultural development programs are spread over a great number of agencies, some of which appear to have only peripheral involvement and few of which have the capacity or expertise to make any contribution to the operation of these programs. If we, as a government, are to deliver on the food aid commitments which we have made, and which President Carter has personally confirmed and expanded, then we must give more attention to the mode of organization through which these promises can be efficiently and effectively realized utilizing the expertise and capacity of a Department of Food and Agriculture.

Finally, I believe the impression of the reorganization task force as to the extent to which the Department of Agriculture is the captive of producer groups needs to be addressed. Let me assure you that we continually make decisions which appropriately balance the interests of producers, taxpayers and consumers in providing an adequate supply of wholesome, nutritious food to all segments of our population at prices that are fair to all segments of the industry. In the long-term, I believe it will inevitably be necessary to affect a more complete consolidation of food production-food safety functions than this proposal suggests. As a practical matter, however, I recognize the opposition to such a move now, and I agree no proposal should be made now to consolidate all food safety programs into a Department of Food and Agriculture.

A large, stylized handwritten signature in black ink, appearing to read 'Bob Bergland', is written over the typed name and title.

BOB BERGLAND
Secretary